HALF in TEN 10

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Resetting the Poverty Debate: Renewing Our Commitment to Shared Prosperity

Half in Ten Annual Report *November 2013*

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

Foreword

By Sister Simone Campbell, executive director of NETWORK, a national Catholic social justice lobby

Fifty years ago, President Johnson declared the War on Poverty in the shadows cast by World War II and the image of war as a noble struggle against evil. But since the declaration of the War on Poverty, we have had the ambiguity of the Vietnam, Iraq, and Afghanistan wars. War has become more complicated in our lived experience. War has been revealed as an intensely complicated and destructive process, which generates its own negative consequences. War is not the simple fight of "good versus evil."

For our time, war is the wrong metaphor for our effort to reduce poverty. Traditionally, war has involved a foe with whom we violently disagreed, intense battles, some casualties—which are often not talked about—and finally, victory in which the vanquished slink off the battlefield in disgrace. Poverty does not lend itself to a battlefield or skirmish strategy.

Certainly, poverty is a fundamental injustice in society that undermines the basic capacity of our nation to respond to future needs. In the richest nation on earth, poverty is an immoral and scandalous circumstance to be challenged. But "war" is not the answer.

First, poverty is not a foreign enemy. Poverty is woven into the fabric of our economy. In the global economy, well-paying jobs have moved out of our country to places where there are lower labor costs. Within our nation, workers are more productive, while wages stagnate. People earning the minimum wage only make $15,000 per year—poverty earnings. These poverty wages are undermining families and neighborhoods, making it increasingly impossible for low-income and working-class people to join the middle class. Yet too many of our politicians persist in their belief that people living in poverty are simply not working. Such a notion could not be further from the truth.

While we have made strides in supporting low- and middle-income families through such programs as the Earned Income Tax Credit; Child Tax Credit; Supplemental Nutrition Assistance Program, or SNAP; Supplemental Security Income, or SSI; and a variety of other programs, too many of our people continue to live in dire circumstances. What's more, these very successful programs are being undermined because some politicians claim we cannot afford them. But they are wrong.

Too many of our lawmakers want us to wrongly believe that our nation is rooted in individualism. This is an unpatriotic lie. As a person of faith, I know that all faiths are grounded in the principles of community and the common good. Faith calls us to care for each other. In the Christian tradition, we use the metaphor of being one body. We are all united and have a responsibility to care for each other. In the Jewish, Muslim, Buddhist, Sikh, and all other religious traditions humans are called to be communal and to live in caring relationships.

In our pluralistic society, I cannot insist that everyone believes my way. Rather, where we meet is in the Constitution. The Constitution sets out how we are to come together. This orientation is set out in the document's first three words: "We the People." This communal relationship is at the heart of who we are as a nation. Only by working together for the common good will we ever be able to "form a more perfect union."

So what does this have to do with poverty? Well, the aspirational goal of forming a more perfect union is being undermined by increasing wealth and income gaps. The top 20 percent, the top 5 percent, the top 1 percent, and the top 0.1 percent are all increasing their income dramatically, while those at the bottom, who help create the wealth and income of those at the top, stagnate and sink backward. This is not healthy for anyone. This very divergence in income generates fear, and the visible manifestations of poverty.

So what are we to do? In the face of the fear caused by growing inequality, we the people must weave our society together again. We the people are called to have conversations about our shared values and the fact that we all do better when disparities are diminished. We the people need to reframe the national debate to focus on economic health to ensure that a large percentage of our population is not left out. A healthy economy has wages that allow workers to live in dignity. A healthy economy shows a respect for the dignity of all so that the elderly and disabled are celebrated for their contributions. A healthy economy has meaningful work for its people. A healthy economy provides supports for those who are temporarily displaced from the workforce. A healthy economy invests in education, health care, and housing.

If we the people commit to forming this more perfect union, then we will accomplish President Johnson's dream and ensure that all will have a fair chance to succeed. But to achieve this goal in our frayed democracy, we must weave ourselves together to create a whole tapestry in which everyone has a valued place. This is the essence of democracy. If we care for the common good, then we will meet the challenges of our time to reduce poverty and fully embrace the promise of our Constitution. By standing up to the challenges, poverty will be reduced, and we will flourish as a healthy nation where all can live in dignity.

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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.

ASSOCIATED PRESS/DAVID MERCER

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.

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CHAPTER ONE

Poverty in the United States today

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

By Melissa Boteach

Families in Highland County, Ohio, pick up food at a mobile food pantry coordinated by the Ohio Association for Community Action Agencies.

OHIO ASSOCIATION FOR COMMUNITY ACTION AGENCIES

Nearly 50 years ago, on January 8, 1964, President Lyndon B. Johnson declared "unconditional war on poverty in America" and urged Congress and all Americans to join him in the effort.[1] With this declaration, President Johnson began building on decades of policies that grew the American middle class, starting with the New Deal-era efforts to strengthen unions, create jobs through infrastructure and educational investments, and lift up low-income workers through a robust minimum wage.[2] In fact, even before the War on Poverty was announced, the poverty rate had already fallen from 40.5 percent in 1949 to 22.4 percent in 1959.[3]

Starting in 1964, a wide range of policy changes helped drive poverty rates down even further. President Johnson's Great Society included not just new anti-poverty programs such as Community Action and Head Start, but also civil rights legislation to provide greater economic opportunity to people of color and women, educational investments, expanded Social Security eligibility and benefits, and the creation of Medicare and Medicaid, which dramatically reduced the rates of uninsured.

These smart policy choices, combined with shared economic growth, yielded dramatic results. The poverty rate plummeted by 42 percent between 1964 and 1973, when it reached a historic low of 11.1 percent.[4]

In the intervening 50 years, however, much has changed. One of the most significant trends has been the dramatic rise in income inequality, as the gains of economic growth have largely been concentrated among the wealthy. The country has also seen important demographic shifts, as mothers are now breadwinners or co-breadwinners in two-thirds of American families,[5] *and communities of color will make up the majority of the population by 2042.*[6] *Yet our institutions have failed to keep pace with these important changes, and women, children, and people of color continue to experience disproportionate rates of poverty.*

Through it all, our system of work and income supports has made an enormous difference in the lives of millions of struggling Americans, providing nutrition assistance, wage supplements, and health and housing subsidies when wages are too low or work is not possible.

But our safety net is working overtime just to keep up with these broader economic and social changes. Rather than address the underlying issues that are pushing more families to the economic brink, conservatives seem intent on pulling the rug out from under struggling families with deep cuts to the programs that help them make ends meet as they navigate an economy that is not producing enough living-wage jobs.

This chapter examines three indicators of economic progress for struggling Americans in 2012, compared to 2011 and longer-term trends:

1. Traditional poverty rate as well as percentage of people living in deep poverty and in low-income households
2. Alternative poverty rate that takes into account a more complete set of income and expenses
3. Income inequality as measured by income distribution in our economy

Through examining our progress in these data points, this chapter argues that 50 years after President Johnson first declared war on poverty, we must not only protect and update the effective safety-net programs we have, but also boldly address the underlying labor-market issues that perpetuate skyrocketing income inequality and economic insecurity for too many American families.

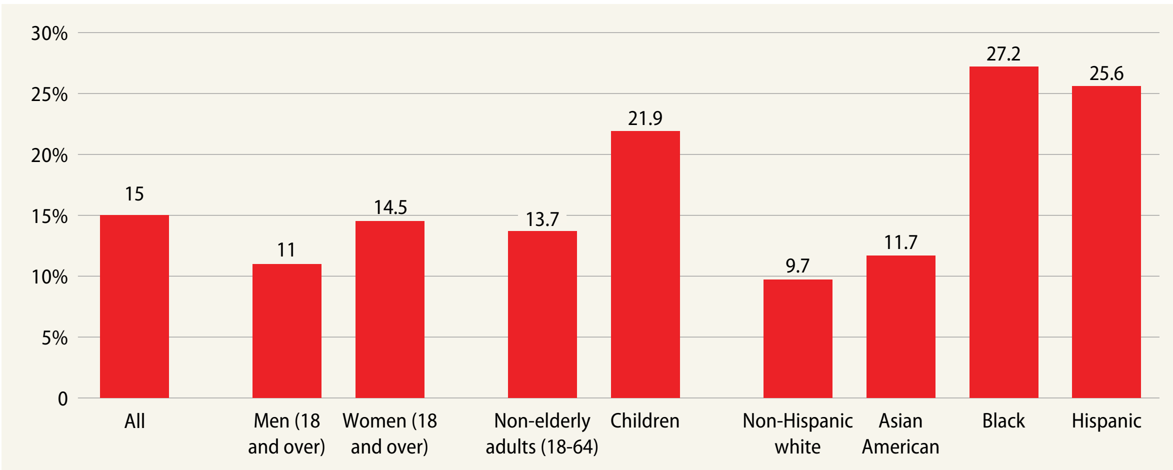
Three years into the economic recovery, the poverty rate remains unchanged

The traditional poverty rate stood at 15 percent in 2012, unchanged from the previous year's level[7] and 2.5 percentage points higher than it was prerecession in 2007.[8] This means that 46.5 million Americans were living on incomes of less than $18,287 for a family of three.[9] The 46.5 million Americans living in poverty last year is a sign of how low incomes have fallen for a shocking number of Americans who often cannot find full-time work, have poverty-level wages, or cannot access adequate income assistance if they are among the elderly, have a disability, or are otherwise unable to work. It is important to note that people living in poverty are not a static group, but rather that a surprisingly large share of Americans cycle in and out of poverty. From 2009 through 2011, nearly one-third—31.9 percent—of the population was in poverty for at least two months, but the share of the population in poverty for the entire three-year period was relatively small, with only 3.5 percent of population experiencing chronic poverty.[10]

The traditional poverty rate fails to count the benefits provided by some important safety-net programs or reflect how factors such as work-related or medical expenses adversely affect family budgets. But it underscores the fact that three years after the recession officially ended, nearly one in six Americans is still living on the economic margins.

Figure 1: Women, children and people of color more likely to experience poverty

2012 Poverty Rates by Race, Age, and Gender



Source: Carmen DeNavas-Walt, Bernadette D. Proctor, Jessica C. Smith, "Income, Poverty, and Health Insurance Coverage in the United States: 2012, Current Population Reports" (Washington, DC: U.S. Census Bureau, 2013)

While the effects of poverty are widely felt across demographic groups, women, children, and people of color are among the populations disproportionately affected.

In 2012, 14.5 percent of women lived in poverty, compared to 11 percent of men, with female-headed households with children facing an even higher rate of poverty at 40.9 percent.[11] One of the biggest changes since the War on Poverty is the increase of mothers in the labor market. In 1967, only approximately one-fourth of mothers—27.7 percent—were breadwinners or co-breadwinners. Today, approximately two-thirds of mothers are breadwinners or co-breadwinners,[12] but our institutions and policies have not caught up to this change, leaving behind the women and the children who depend on them. As the "More Good Jobs" chapter illustrates, only about one-third—34 percent—of civilian workers with low wages—below $11.53 per hour—had access to paid sick days in March 2013, setting up impossible trade-offs and forcing parents to choose between forgoing the wages needed to pay rent or caring for a sick child.[13] Parents of all income levels struggle to find affordable, quality child care, but this burden is exacerbated for low-income families. For low-income workers who pay for child care out of pocket, it eats up about one-third of their family budget.[14] And as the "Family Economic Security" chapter details, for families needing child care assistance, 23 states had waiting lists or frozen intake in 2012.[15]

Women shoulder a disproportionate burden of care responsibilities, spending on average about twice as much time caring for children as men.[16] They are also more likely to be working in low-wage jobs that do not provide basic labor standards such as paid sick leave.[17]

Childhood poverty is determined by the incomes of the adults that children reside with, mainly their parents. Two of the main reasons child poverty has remained so elevated over the past several years are high parental rates of unemployment and an increase in low-wage work. As the "Strengthening Families and Communities" chapter illustrates, while the family unemployment rate fell from 12.1 percent in 2011 to 10.1 percent in 2012, the share of families with at least one unemployed parent looking for work was still higher than the national average unemployment rate of 8.1 percent in 2012.[18]

Our budget choices also affect the economic security of children and families. To that point, the nation decided to make it a priority to ensure that low-income children had health coverage through the creation and expansion of Medicaid and the Children's Health Insurance Program. Today, more than 90 percent of children have health coverage, and in the past 10 years, the percentage of children in families making less than $25,000 per year with health coverage has increased the fastest compared to children in other income groups, growing from 80 percent to 85 percent.[19]

By contrast, more than one in five children remained in poverty in 2012, yet we have continued disinvesting from other services

Teacher Sarah Morse helps Jasmine Martinez, 4, tie her shoes at the Eastham Community Center Claskamas County Children's Commission Head Start in Oregon City, Ore.

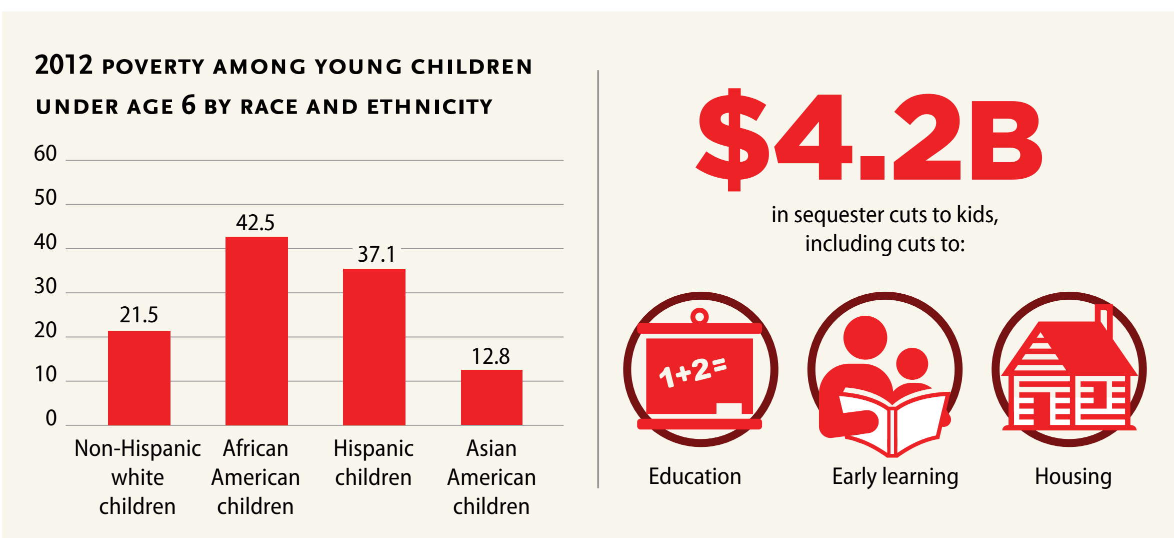
ASSOCIATED PRESS/ RICK BOWMER

for children. According to First Focus's annual "Children's Budget" report, in 2013 alone, sequestration will cut $4.2 billion out of funding for children concentrated in the areas of education, early learning, and housing.[20] These high child poverty numbers should be a wake-up call for Congress as they consider funding bills that would lock in these damaging sequester cuts.

This elevated rate of child poverty and disinvestment from our young people carries consequences not just for individual families, but also for our entire economy. Childhood poverty is associated with a host of negative outcomes, including lower educational attainment, lower adult earnings, and higher health and criminal justice costs—consequences that cost our economy more than $500 billion a year.[21]

These child poverty rates are even more pronounced among children of color, particularly young children under age 6. In 2012, 42.5 percent of African American children under age 6 and 37.1 percent of Latino children under age 6 lived in poverty.[22] One of the biggest demographic shifts over the past 50 years has been that communities of color are increasingly important to our economy and comprise a rising share of our workforce. In fact, the United States is set to have no racial or ethnic majority by 2042. What's more, half of all children born in 2012 were children of color.[23] If we do not take steps to close these racial and ethnic disparities and increase economic opportunity for all young people, there will be far-reaching implications for our economic competitiveness.

Figure 2: Congress disinvests in children amid elevated child poverty rates



Source: U.S. Census Bureau, Current Population Survey (U.S. Department of Commerce, 2013), table POV01, available at http://www.census.gov/hhes/www/cpstables/032013/pov/pov01_100.htm; Jared Solomon, "Kids Lose Billions With Sequester," First Focus, February 11, 2013, availableat http://www.firstfocus.net/sites/default/files/Sequestration's%20Impact%20on%20Kids%20-%20National%202013%202.12.pdf.

Persistently high rates of deep poverty serve as cautionary tale

While there were 46.5 million Americans with incomes below the poverty line in 2012, 20.4 million of these people were in deep poverty—having incomes so low that they were living on less than $9,143 per year for a family of three.[24] This is statistically unchanged from 2011.[25] The virtual disappearance of temporary income assistance has played a role in increasing the share of families in truly dire straits since the 1990s. The value of the Temporary Assistance for Needy Families, or TANF, block grant has fallen by 30 percent since 1996. Today, only about one in four poor families with children receives aid through the program, compared to more than two-thirds of poor families with children in 1997,[26] the year after welfare reform was enacted and a time when the unemployment rate was under 5 percent. The program has also been unable to respond to the increase in poverty and unemployment that accompanies recessions. Analysis by the Center on Budget and Policy Priorities shows that "[TANF] Caseloads rose by just 16 percent before peaking in December 2010, while the number of unemployed grew by 88 percent during the same time period."[27]

In the past year, the House of Representatives has proposed applying similar types of cuts to other work and income supports, such as nutrition assistance, which are a lifeline to families facing unemployment, low wages, and barriers to work. In 2012, for example, the House of Representatives' budget blueprint proposed dramatic cuts to the Supplemental Nutrition Assistance Program, or SNAP, setting capped payments to states regardless of rising poverty and hardship, and stringent work requirements that leave states little flexibility in times of high unemployment.[28] The Center on Budget and Policy Priorities estimated that, if implemented, these cuts could deny basic nutritional assistance to between 12 million and 13 million people.[29] In the fall of 2013, House Republicans again proposed $39 billion in cuts to SNAP in the Farm Bill, which would cause 4 million to 6 million people to lose nutrition aid, drop 210,000 children from free school meals, and cost our economy 55,000 jobs.[30] These cuts are on top of reductions in food assistance already set to take place in November 2013.[31] These cuts will also have implications for children in deep poverty, since SNAP kept 1.5 million children above the deep-poverty line in 2011, more than any other program.[32]

The failure of TANF to respond to an increase in hardship and to act counter-cyclically during the Great Recession should serve as a cautionary tale as Congress considers other cuts to programs helping vulnerable families meet basic needs.

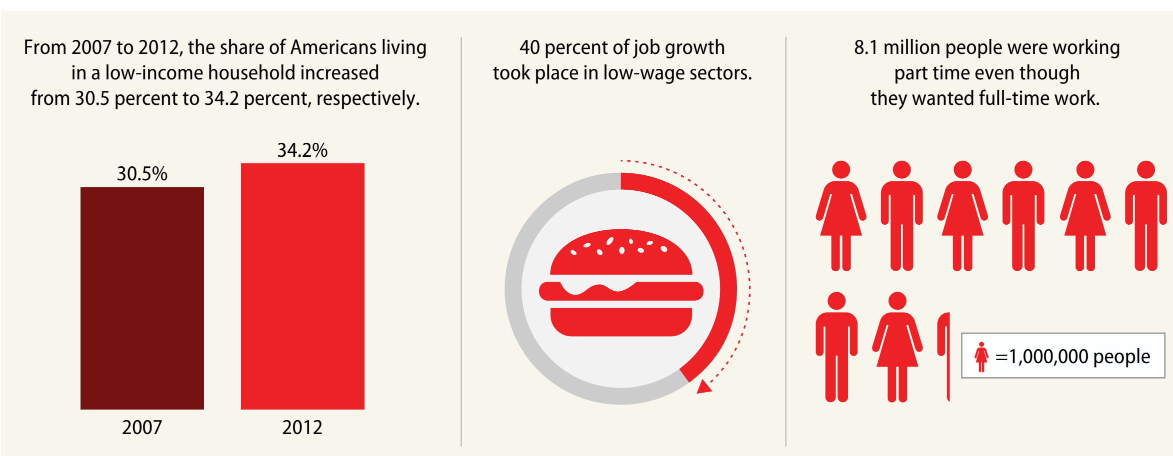
One in three Americans living on the brink

Hardship does not stop at a dollar above the poverty line. A family of three is considered to be in poverty if their income falls below approximately $18,287 per year. But a threshold of two times the poverty line, or $36,574 per year for a family of three, is a more accurate gauge of what it takes to make ends meet. In 2012, 106.4 million people had incomes that fell below this threshold, meaning that one in three Americans lived on the economic brink—one lost job, health crisis, or broken-down car away from poverty. This number is not statistically different from the 106 million people who lived below twice the poverty line in 2011, but as Figure 3 shows, the share of low-income households in 2012 remains nearly four percentage points higher than in 2007.[33]

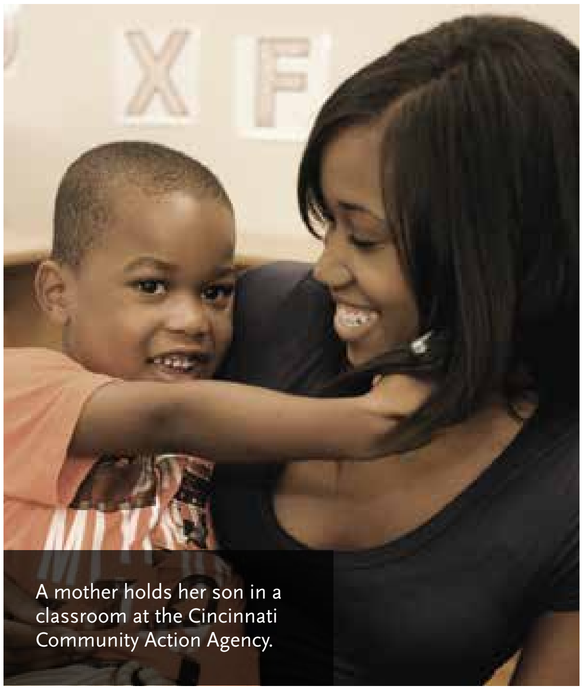
The proliferation of low-wage work is a contributing factor to the large share of the population facing economic insecurity. In 2012, more than 40 percent of job growth took place in low-wage sectors such as hospitality, retail, and health and education services.[34] In addition, while the number of people who are involuntarily working part time decreased from 2011 to 2012, last year there were still 8.1 million people working part time even though they wanted full-time work.[35]

Figure 3: Share of low-income households has increased since 2007

PART-TIME AND LOW-WAGE WORK CONTRIBUTE TO HIGH SHARE OF HOUSEHOLDS STRUGGLING TO MAKE ENDS MEET



Sources: U.S. Census Bureau, Current Population Survey (U.S. Department of Commerce, 2013), Table 5. Percent of People By Ratio of Income to Poverty Level: 1970 to 2012, available at http://www.census.gov/hhes/www/poverty/data/historical/people.html; Author's calculations based on Bureau of Labor Statistics, Current Employment Statistics (U.S. Department of Labor, 2013), available at http://www.bls.gov/ces/; Author's calculations based on Labor Force Statistics from Bureau of Labor Statistics, Current Employment Statistics (U.S. Department of Labor, 2013), available at http://data.bls.gov/cgi-bin/surveymost?ln.



A mother holds her son in a classroom at the Cincinnati Community Action Agency.

CINCINNATI COMMUNITY ACTION AGENCY

The proliferation of low-wage work is expected to continue absent economic and policy changes to improve job quality. According to an analysis by the Center for American Progress, "The top 16 occupations with the most expected job growth will create a total of 6.5 million new jobs by 2020 … but the median annual wage for these 16 jobs [is] just $30,015 (in 2010 dollars),"[36] a wage that puts a worker with two children below twice the poverty line.

Supplemental poverty measure shows a safety net working overtime

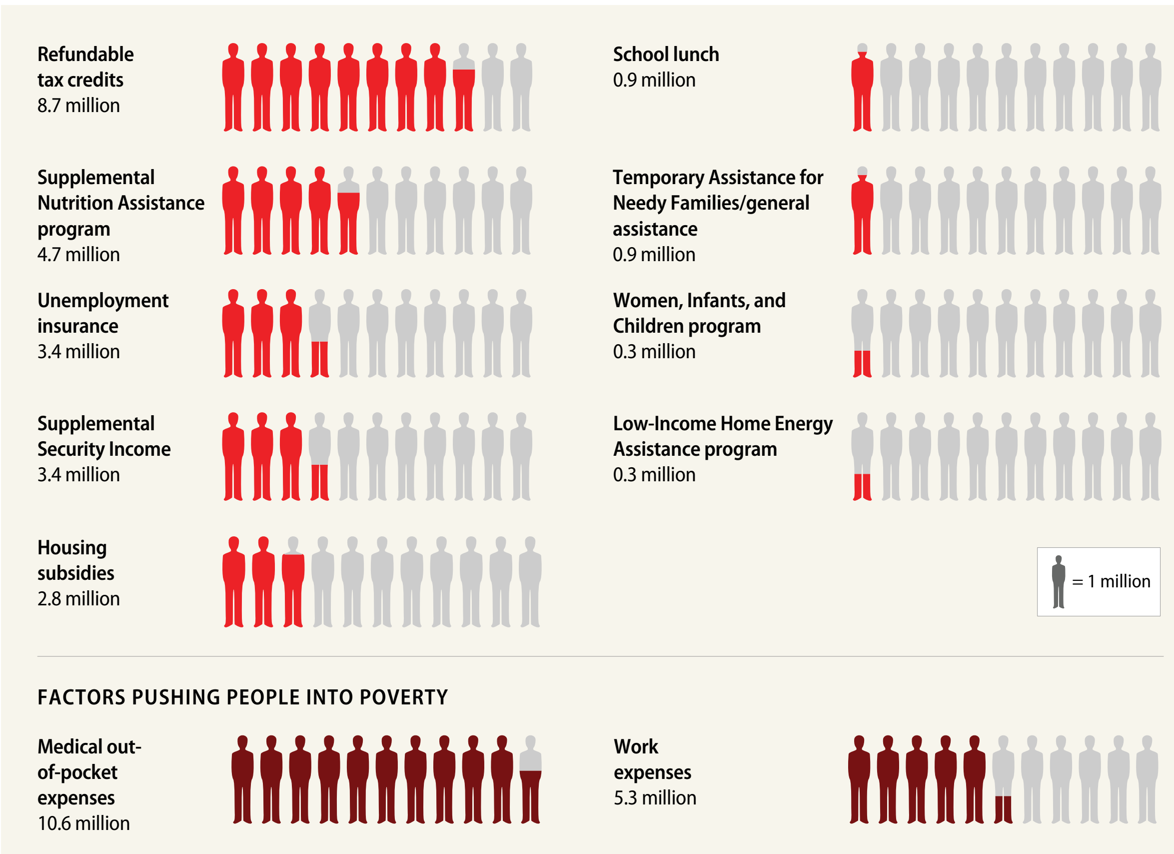
While the traditional poverty measure is helpful to track changes over time, it does not capture some important factors that affect family economic security. Since 1964, for example, a number of effective anti-poverty policies, including the Earned Income Tax Credit and Supplemental Nutrition Assistance Program, have been enacted that both make work pay for low-wage workers and help struggling families afford the basics when their incomes are too low. On the other hand, as women have increasingly become breadwinners, the traditional poverty measure neither takes into account work-related needs such as child care, nor reflects rising out-of pocket medical costs.

The supplemental poverty measure provides a more comprehensive picture of poverty by taking these factors into account. At a time of widening income inequality and fiscal austerity, this measure also provides important insights into how our key income and work supports on the chopping block are working overtime to keep families out of poverty. The most recent data available are for 2011, but the online version of this report will provide the 2012 data when they become available.

The supplemental poverty measure data show that 49.7 million people, or 16.1 percent of Americans, lived in poverty in 2011. This is a statistically insignificant change from the rate of 16 percent in 2010.[37] Refundable tax credits for working families such as the Earned Income and Child Tax Credits, for example, lifted 8.7 million people out of poverty in 2011, and the child poverty rate would have been 6.3 percentage points higher without them. Similarly, the Supplemental Nutrition Assistance Program lifted 4.7 million people out of poverty in 2011. Without it, the child poverty rate would have been 2.9 percentage points higher.[38]

Figure 4: Supplemental Poverty Measure calculates impact of federal programs

PEOPLE KEPT OUT OF POVERTY MEASURE BY INDIVIDUAL PROGRAMS



Note: This figure shows the impact of excluding specific benefits and expenses one by one, while holding all else the same. The total impact of benefits and expenses is different than the sum of individual impacts.

Sources: U.S. Census Bureau, The Research Supplemental Poverty Measure (U.S. Department of Commerce, 2012), available at http://www.census.gov/hhes/povmeas/methodology/supplemental/research/Short_ResearchSPM2011.pdf. U.S. population number available at http://www.census.gov/popest/data/national/totals/2011/index.html.

The supplemental poverty data also show the types of expenses that, alternatively, are driving families into poverty. Medical bills and work-related expenses, for example, played a large role in increasing economic hardship for many Americans.

Out-of-pocket medical expenses pushed 10.6 million people into poverty in 2011. In fact, the child poverty rate would have been 2.7 percentage points lower and the working-age adult rate would have been 2.8 percentage points lower if not for out-of-pocket medical costs,[39] underscoring a need for Congress to avoid cuts to Medicaid that would shift costs to low- and middle-income families, and for states to take up the Medicaid expansion as the Affordable Care Act is implemented.

In too many cases, work-related expenses such as commuting and child care costs also undermined economic security for working families and children, with 5.2 million people pushed into poverty in 2011 due to costs related to their jobs.[40] Yet Congress's failure to stop the sequester means that this fall there will be 57,000 fewer Head Start slots for children, which will not only undermine their preparation for kindergarten, but also parent access to stable and safe child care. These trends will only exacerbate the number of families in poverty and make it harder for a family to transition into the middle class. By contrast, President Barack Obama's proposed expansion of pre-kindergarten and early learning opportunities could help reverse these trends by providing more affordable child care and early education slots.

Income inequality widens as the minimum wage erodes

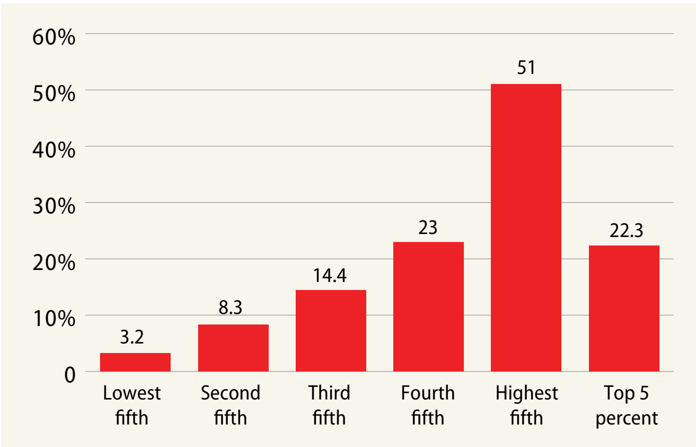
From 2011 to 2012, high levels of income inequality, as measured by income distribution in the economy, remained locked in place with no statistically significant change. This measure is key because it shows that the top 20 percent of Americans bring in more than half of all income (51 percent), with the top 5 percent alone earning 22.3 percent of income. In contrast, the bottom 20 percent brought in just 3.2 percent of income, while the middle 60 percent captured just 45.7 percent of all income.[41]

In addition, three years after the end of the Great Recession, incomes for the wealthiest Americans have more than recovered, while those at the bottom and middle of the income scale are still lagging behind.[42]

These trends are dramatically different from 50 years ago when the War on Poverty was launched. In the three decades immediately following the end of World War II, economic growth was more broadly shared and a full-

Figure 5: High levels of income inequality remain locked in place in 2012

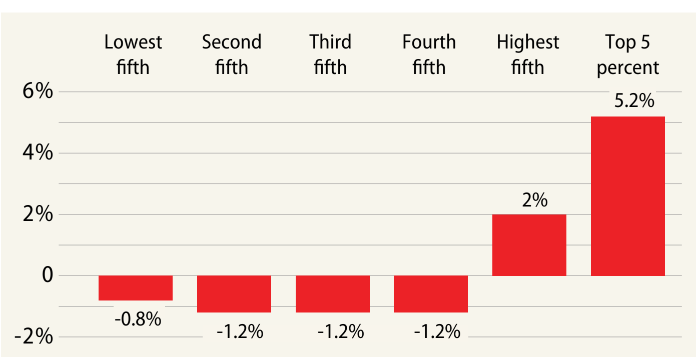
Percent of income going to each quintile and the top 5 percent



Source: U.S. Census Bureau, Historical Income Tables: Households (U.S. Department of Commerce, 2013), table H2 available at http://www.census.gov/hhes/www/income/data/historical/household/index.html.

Figure 6: Income inequality has widened since the end of the Great Recession

Wealthiest households have more than recovered while low- and middle-income households still lag behind



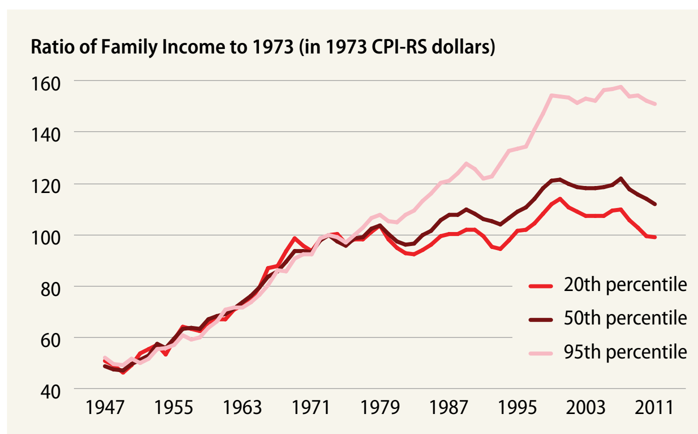
Source: U.S. Census Bureau, Historical Income Tables: Households (U.S. Department of Commerce, 2013), table H3, available at http://www.census.gov/hhes/www/income/data/historical/household/index.html.

employment economy was a key complement to President Johnson's package of policy reforms. Starting in the 1970s, however, the gains from rising economic growth and productivity began to be concentrated in the hands of a few.[43]

Around the same time, Congress began allowing the minimum wage to erode. If the minimum wage today was the same percentage of the average wage as it was in 1968—50 percent of the average wage—it would be more than $10 an hour,[44] and fewer working people would need to turn to the safety net to put food on the table.

Figure 7: Starting in 1970s, inequality widens and low- and middle-income families see fewer gains from economic growth

Real family income between 1947 and 2011 as a percent of 1973 level



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

Policy trends

There were a number of important developments in 2012 that have implications for the direction of these numbers. Importantly, the American Taxpayer Relief Act of 2012—the fiscal cliff deal that Congress negotiated at the end of the 2012 and passed on New Year's Day 2013—continues expansions to the Earned Income and Child Tax Credits that kept millions of people out of poverty. But while the Bush-era tax cuts were made permanent for most Americans, these tax credit reforms for low-wage working families were only continued through 2017, setting up another showdown with high stakes for low-income Americans. The deal also eliminated the temporary payroll tax cut, meaning that taxes went up for low- and middle-income workers in 2013, while the economy is still weak and could benefit from increased consumer spending.

The deal did raise approximately $617 billion in revenues over 10 years by increasing tax rates on households with annual incomes of more than $450,000. While a good first step, Congress will have to raise additional revenues in order to invest in jobs and services, prevent draconian cuts, and address long-term deficits.[45]

The deal also failed to prevent across-the-board cuts to critical public programs ranging from scientific research and transportation to early education and housing assistance. These cuts, known as the sequester, are currently rippling their way through communities with a devastating effect on families and the economy. Case in point: Because of the sequester, approximately 57,000 fewer children will be enrolled in Head Start this fall,[46] state and local housing agencies will be forced to drop 140,000 families from housing assistance in 2014,[47] and $10 million will be cut from meals programs for seniors, which will affect local communities such as New Haven, where 5,500 fewer meals will be served to seniors next year.[48]

These cuts to the safety net are all the more debilitating because of the lack of action on jobs. In 2013, President Obama continued calling on Congress to enact proven job-creation strategies, such as subsidized employment for low-income and long-term unemployed workers and investments in infrastructure and school repair to put millions back to work.[49] Congress, however, continued its focus on deficit reduction at the expense of an agenda for shared economic growth.

Cierra's story: *Dramatic cuts to federal programs that support families are putting the squeeze on mothers and their young children*

A working mother with two young children, Cierra strives mightily to do her best for her family, but like many barely earning enough to make ends meet, it is a struggle. Declining federal funding for child care assistance and shortsighted austerity policies make life that much more difficult for Cierra, her family, and those in similar circumstances. According to Cierra:

> *I live in Sharon, Pennsylvania, and my family is experiencing sequestration firsthand. It's tough making ends meet in this economy as it is, and these extra cuts on top of that do not help.*
>
> *Due to the sequester, my son isn't able to continue going to Head Start every day of the week, cutting down tremendously on his learning time. This negatively affects my entire family. I'm a working mother of two, so it puts a strain on me to find somewhere for him to go during the time he would usually be in school. I know I can trust the school but not so much everyone else, and I want him to be in a positive environment as much as possible.*
>
> *This is specifically unfortunate for my son who should be learning every day, interacting with the other children, and having a regular routine. I want to keep my children on a schedule. I feel they learn better this way.*

Note: Half in Ten was referred to this story by Community Action Partnership of Mercer County (PA)

Job seekers standing in line during the Career Expo job fair, in Portland, Oregon.

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Recommendations

Since the War on Poverty was launched 50 years ago, widening income inequality and dramatic demographic shifts have changed the landscape and require us to think differently about how to usher in the next era of progress.

Moving more families into the middle class will require more than protecting our embattled system of work and income supports. While the safety net has worked hard to blunt an increase in hardship, programs such as Temporary Assistance for Needy Families illustrate that it still has holes that require investments and reforms. Moreover, rising inequality and inadequate earnings opportunities are stretching our safety net's capacity to respond to rising hardship. While we need to invest in a strong system of work and income supports on the back end, we need to improve the supply of good jobs on the front end through a focus on job creation and labor-market reforms that ensure that working families are not left out of the gains of economic growth.

The subsequent chapters will underscore key trends and recommendations in the areas of good jobs, strong families, and economic security to move the poverty needle in the right direction moving forward. A recurring theme, however, in the recommendations throughout this report is to pivot from a wrong-headed austerity agenda to a pro-growth agenda that prioritizes job creation, boosts wages, and invests in family economic security. This means:

- Investing in job-creation measures such as infrastructure spending and a Pathways Back to Work Fund that creates subsidized employment opportunities for low-income and long-term unemployed workers
- Improving job quality and training opportunities in growing fields such as the health care and caregiving sectors
- Protecting effective work and income supports such as the Supplemental Nutrition Assistance Program and low-income tax credits from cuts and canceling the job-killing sequester
- Boosting the minimum wage and enacting basic labor standards such as guaranteed paid sick days
- Enacting a plan to expand affordable and high-quality child care and pre-K, a policy that would improve outcomes for at-risk children, enable low-income parents to work, and create jobs for care workers.

Fifty years after President Johnson announced the War on Poverty, it is time for a new commitment to an economy that works for everyone and the types of investments and reforms that can cut poverty in half.

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Indicators

1 POVERTY RATE

The percentage of people in poverty—with annual incomes below $18,284 for a family of three—did not change between 2011 and 2012, remaining at 15 percent. Similarly, the percentage of people with incomes below half the poverty line—sometimes referred to as deep poverty—remained at 6.6 percent in 2012. These measures do not account for the impact of the Earned Income Tax Credit, nutrition assistance, and other noncash benefits on income. For a measure of poverty that includes most of these benefits, subtracts certain expenses, and uses a somewhat different poverty threshold, see Indicator 2.

To substantially reduce the share of Americans living below the poverty line, policymakers first need to immediately shift their focus from austerity to job creation and investment in people. The poverty rate remains high today due in large part to an excess of poorly compensated jobs. We need to turn bad jobs into good ones by increasing the minimum wage, supporting the efforts of poorly compensated workers to join unions, and ensuring that all workers have basic benefits such as paid sick leave. Finally, to increase economic security and strengthen our nation's balance sheet, we need to make our tax system more progressive.

15%

OR 46.5 MILLION PEOPLE HAD INCOMES BELOW THE FEDERAL POVERY LINE IN 2012

a *Two-thirds of people in poverty are white, despite whites having a lower overall poverty rate*

People with income below poverty line by race and Hispanic origin, 2012

In thousands	Total people	Number below poverty	As percent of number below poverty	Poverty rate
Total people	310,648	46,496	100%	15%
Race and Hispanic origin				
White	242,147	30,816	66%	12.7%
White, non-Hispanic	195,112	18,940	41%	9.7%
Black	40,125	10,911	23%	27.2%
Asian	16,417	1,921	4%	11.7%
Hispanic, any race	53,105	13,616	29%	25.6%

Source: U.S. Census Bureau, American Community Survey: Income, Poverty, and Health Insurance Coverage in the United States: 2012 (U.S. Department of Commerce, 2013), table 3.

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

People with incomes below poverty line by gender, age, and disability, 2012

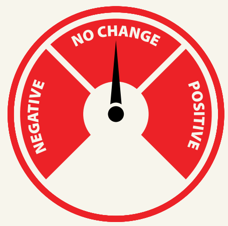
In thousands	Total people	Number below poverty	As percent of number below poverty	Poverty rate
Male	152,058	20,656	44%	13.6%
Female	158,590	25,840	56%	16.3%
Children	73,719	16,073	35%	21.8%
Youth ages 18 to 64	193,642	26,497	57%	13.7%
Elderly	43,287	3,926	8%	9.1%
People with disabilities ages 18 to 64	14,996	4,257	16%	28.4%
People with no disability ages 18 to 64	177,727	22,189	84%	12.5%

Source: U.S. Census Bureau, American Community Survey: Income, Poverty, and Health Insurance Coverage in the United States: 2012 (U.S. Department of Commerce, 2013), table 3.

2 SUPPLEMENTAL POVERTY RATE

Using the Census Bureau's supplemental poverty measure, the poverty rate was 16.1 percent in 2011, the most recent year for which data are available. This figure is not statistically different than in 2010, when the supplemental poverty rate was 16 percent. The supplemental poverty measure counts certain non-cash benefits as income, subtracts some work-related and medical expenses, and uses an updated poverty threshold. As of the printing of this report, the 2012 supplemental poverty rate had not yet been released.

Table a shows the effect of benefits and expenses on the number of people living below the supplemental poverty threshold in 2011. Social Security benefits, for example, lifted the incomes of 25.6 million Americans above the supplemental poverty line, including 1.6 million children. At the same time, commuting and child care expenses pushed 5.25 million Americans below the supplemental poverty line. Table b shows the difference in the percentage of people living below half the supplemental poverty threshold under each measure, sometimes referred to as deep poverty. Shifting to the supplemental poverty measure produces a much lower rate of deep poverty overall and for most groups. The supplemental poverty measure is a reminder of the important role that work supports, such as the Earned Income Tax Credit, or EITC, and the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, play in reducing poverty and the costs associated with working, particularly for parents caring for minor children. Work supports that reduce work expenses and supplement the wages of poorly compensated workers should be maintained and strengthened to reduce poverty over the next decade.



16.1%

OF 49.7 MILLION PEOPLE HAD INCOMES BELOW THE SUPPLEMENTAL POVERTY LINE IN 2011

a *Benefits and work supports help millions avoid poverty*

Effect of excluding specific benefits and expenses on the number of people with incomes below the supplemental poverty line, 2011

Millions of people lifted above poverty line by work supports and other benefits.

Benefits received	All	Children	Adults ages 18 to 64	Elderly
Social Security	25,633	1,630	8,115	16,188
EITC and other refundable tax credits	8,647	4,669	4,251	42
SNAP	4,632	2,149	2,512	291
Unemployment insurance	3,397	963	2,512	166
Supplemental Security Income, or SSI	3,397	593	2,319	498
Housing assistance	2,779	1,038	1,546	498
Child support	1,235	741	580	-
School lunches	926	667	580	-
Temporary Assistance for Needy Families, or TANF, and general assistance	926	445	386	-
Special Supplemental Nutrition Program for Women, Infants, and Children, or WIC	309	222	193	-
Low Income Home Energy Assistance Program, or LIHEAP	309	74	193	-
Workers' compensation	309	74	386	-
Expenses paid				
Child support	(309)	(74)	(193)	(42)
Federal income taxes	(1,544)	(222)	(966)	(125)
Federal payroll taxes	(4,015)	(1,260)	(2,512)	(125)
Commuting and child care expenses	(5,250)	(1,630)	(3,285)	(166)
Out-of-pocket medical expenses	(10,500)	(2,001)	(5,410)	(2,947)

Source: U.S. Census Bureau, *The Research Supplemental Poverty Measure: 2011* (U.S. Department of Commerce, 2012), table 5a.

Note: This table shows the impact of excluding specific benefits and expenses one by one, while holding all else the same. The total impact of benefits and expenses is different than the sum of the individual impacts. Because the supplemental poverty measure does not count Medicaid and Medicare as income or treat health care insurance as a basic need, the anti-poverty impact of public health insurance, while likely substantial, is not estimated.

Indicators

b *Percent of people with incomes below half of the poverty threshold in 2011*

Percent of people with incomes below half the official and supplemental poverty thresholds, by selected characteristics

	Official poverty measure	Supplemental poverty measure	Difference
All	6.7%	5.2%	-1.5%
Children	10.3%	5.1%	-5.2%
Nonelderly adults	6.3%	5.5%	-0.8%
Asian	5.5%	5.9%	0.4%
Black	13%	7.9%	-5.1%
Hispanic, any race	10.6%	7.7%	-2.9%
White, non-Hispanic	4.5%	4.7%	0.2%

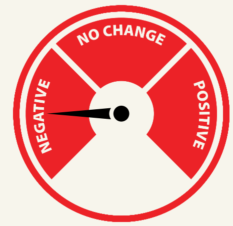
Source: U.S. Census Bureau, *The Research Supplemental Poverty Measure: 2011* (U.S. Department of Commerce, 2012), table 1.

3 INCOME INEQUALITY

Income inequality remained high in 2012. The 40 percent of households with the lowest incomes received only 11.5 percent of overall income in 2012, a share not significantly different than in 2011. The top 5 percent of households took in 22.5 percent of overall incomes, the same share as in 2011.

As the table below shows, low- and middle-income households had substantially lower incomes in 2012 than they did a decade ago, as well as since the end of the recession in 2009. Meanwhile, the incomes of the top 5 percent have returned to their 2007 prerecession levels. The top 5 percent is the only group to see an increase in income since the end of the recession.

As with poverty, reducing inequality will require a renewed commitment to full employment and tax fairness; the strengthening of labor standards, such as the minimum wage and the right to bargain collectively; and investments in people's health and well-being.



11.5%

OF OVERALL INCOME IN 2012 WAS RECEIVED BY THE BOTTOM 40 PERCENT OF HOUSEHOLDS

a *Low-income households have seen the greatest income losses over the past decade*

Average household income, by income quintile, selected years

	Average household income, in 2012 dollars				Percentage change		
	2002	2007	2009	2012	2002 to 2012	2007 to 2012	2009 to 2012
Lowest quintile	$12,750	$12,791	$12,366	$11,490	-9.9%	-10.2%	-7.1%
Second quintile	$32,418	$32,604	$31,319	$29,696	-8.4%	-8.9%	-5.2%
Third quintile	$54,628	$55,334	$53,025	$51,179	-6.3%	-7.5%	-3.5%
Fourth quintile	$85,929	$87,607	$84,240	$82,098	-4.5%	-6.3%	-2.5%
Highest quintile	$183,460	$186,009	$182,884	$181,905	-0.8%	-2.2%	-0.5%
Top 5 percent	$320,366	$318,032	$316,206	$318,052	-0.7%	0%	0.6%

Source: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement* (U.S. Department of Commerce, 2012), historical income table H-3, "Households."

CHAPTER TWO

More good jobs

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

By Shawn Fremstad

A Head Start parent who was formerly unemployed and a participant of the Cincinnati Community Action Agency housing program, at her job helping others find employment.

CINCINNATI COMMUNITY ACTION AGENCY

In the three decades following World War II, progressive policies helped ensure that economic growth went hand in hand with broadly shared prosperity. Even as the rich became richer, the numbers and incomes 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.[1] *Increases in labor productivity, which provide the essential basis for rising living standards, increased in lockstep with workers' incomes across the board, not just for those at the top.*

But the conservative "reorientation of the role of the federal government in our economy"—as former President Ronald Reagan put it in his 1982 Economic Report—changed the income-productivity dynamic for the worse.[2] *Key elements of this economic reorientation included lopsided tax cuts for the most advantaged Americans, weakened labor protections for workers, and sharp reductions in investments in skills training. The misguided reorientation further widened the gap between productivity and compensation that began growing during the Nixon administration, with the largest disconnects between workers' productivity and their incomes happening in the 1980s and 2000s.*[3]

Despite some important course corrections, the consequences of this conservative shift in public policy remain evident everywhere today. Our nation's middle class is smaller, and income inequality continues to be on the rise, particularly between the very rich and everyone else. Furthermore, the poverty rate is much higher than it should be, and we have had to direct more resources to offset declining wages and benefits. The right-wing economic agenda—including massive tax cuts for the rich and austerity for the rest, hostility to basic labor standards, and promotion of a host of other policies that elevate the interests of the wealthy over the common good—has failed both low- and middle-income Americans.

Since the publication of Half in Ten's first annual report in 2011—"Restoring Shared Prosperity: Strategies to Cut Poverty and Expand Economic Growth"—there has been real improvement on several indicators, particularly in the areas of unemployment and education. Still, the unemployment rate remains unacceptably high, and there has been no forward progress on poorly compensated workers' wages and benefits. If Congress fails to cancel the job-killing sequester and act on President Barack Obama's proposed commonsense investments to boost employment, the cost to the economy will be more than 1 million fewer jobs over the next year and little to no advancement on reducing poverty.

Lagging employment

Since the publication of last year's annual report, the unemployment rate—Indicator 7—has continued to decline, falling from 8.1 percent in August 2012 to 7.3 percent in August 2013. While lower than last year, unemployment remains unacceptably high. To return to prerecession employment levels and also absorb the new entrants to the labor force since 2007, we currently need 8.3 million more jobs. At our current slow pace of job creation, closing the jobs gap will take until 2018.[4]

The official unemployment rate, which is limited to unemployment among people who are actively looking for work, does not include workers who are involuntarily unemployed or who are available for work but have effectively given up looking. When these groups are included, the unemployment rate jumps to 13.7 percent as of August 2013.[5]

Slow progress is particularly notable among some of the most disadvantaged groups in the labor market, including African Americans, whose unemployment rate as of August 2013 stands at 13 percent; Latinos, whose unemployment rate stands at 9.3 percent; and people without a high school degree, whose unemployment rate stands at 11.3 percent.[6] As Indicator 8 shows, workers with disabilities made no progress over the past year. In fact, their current employment rate—the share of all people ages 16 and above with a disability who are employed—actually fell, from an already extremely low 18 percent in August 2012 to 17.6 percent in August 2013.

Janet Mares, center, and her daughter Monica, 9, receive food at the Grace Resource Center in Lancaster, Calif. The center provides a wide range of services from food banks, job training to social services, and is struggling to keep up with a huge influx of people needing assistance.

ASSOCIATED PRESS/RIC FRANCIS

Finally, as Indicator 5 shows, unemployment among young people ages 16 to 24 remains elevated. Since 2009, when the number of youth who were not in school and not working peaked at 5.9 million—15.7 percent—the number of such youth has declined by only about half a million, falling to 5.44 million—14 percent—in 2012.[7]

Absent much stronger job growth and a return to the kind of full-employment conditions that we last saw in the 1990s, it will be impossible to make substantial progress on reducing poverty. Unfortunately, the current Congress has effectively applied the brakes to the labor market by refusing to cancel sequestration—the automatic across-the-board spending cuts that went into effect this year—or take the further action that is needed to boost job creation. According to the Congressional Budget Office, lifting these cuts, as President Obama has proposed, would prevent the loss of nearly 1 million more jobs by the third quarter of 2014.[8]

Beyond sequestration, the failure of Congress to end austerity and move ahead on proactive proposals to boost employment is particularly problematic for the most disadvantaged workers. In his 2014 budget proposal, President Obama proposed temporary investments to increase employment among low-income workers and the long-term unemployed, as well as a substantial upfront investment in transportation infrastructure that would help lift the economy and create jobs. Of particular note, the president has proposed:

- $12.5 billion for a Pathways Back to Work Fund. The bulk of these funds are dedicated to immediately creating temporary jobs for low-income workers, including $2 billion reserved for summer and year-round employment opportunities for low-income youth.

- $4 billion for a Reemployment NOW Program. These funds would be allocated to states to use to implement innovative initiatives to help the long-term unemployed find work, including enhanced re-employment services and wage insurance.

- $50 million in funding for the Department of Labor to test and replicate innovative initiatives to increase the employment of young ex-offenders

As in the past two years, the president has reissued his upfront $50 billion infrastructure spending package, which includes investments to repair highways, bridges, transit systems, and airports.[9] The proposal would create tens of thousands of jobs, with significant shares going to groups such as Latinos and African Americans, while strengthening our economy's foundation for growth.[10]

Although there has been little progress on federal proposals such as these that would create more jobs, some states and cities have at least moved forward on measures that increase employment opportunities. Ten states and 53 local jurisdictions have adopted measures, most within the past few years, to limit the use of criminal history information by employers during hiring.[11] In addition, Colorado, Nevada, and Vermont adopted legislation to limit the use of credit checks by employers for hiring and retention purposes, bringing the total number of states with such laws to 10,[12] and New York City adopted legislation outlawing discrimination against job applicants who are unemployed.[13]

Depressed wages

Wages for low- and middle-income workers, which took a significant hit during the recession, have yet to recover. After adjusting for inflation, wages for the bottom 50 percent of workers remain lower today than they were a decade ago.[14] Poorly compensated workers have seen the largest declines: For workers in the bottom 30 percent, real wages were nearly 6 percent lower in 2012 than in 2002.[15] Similarly, workers at all levels of educational attainment—except those with advanced degrees—saw their wages decline in real terms. Among workers with only a high school degree or less, real wages were about 4.3 percent lower in 2012 than in 2002, and workers with some college but lacking a four-year college degree experienced a sharp 7.1 percent decline.[16]

Indicator 9, which looks at median wages for workers in five major service occupations — health care support, protective services, food preparation and serving, personal care and service, and building grounds cleaning and maintenance—reflects this decline. Median wages for workers in these service occupations as a whole fell by 4 percent between 2002 and 2012, with no significant change between 2011 and 2012.[17] The typical health care support worker, for example, earned $502 per week in 2002, in 2012 dollars; last year, however, that worker earned only $485 per week.[18]

As Indicator 12 shows, the absence of any improvement in wage trends for most workers has made it more difficult to close the gender wage gap. The current gender wage gap—women working full-time, year-round jobs earned 76.5 percent of men working full-time, year-round jobs in 2012—is about the same as it was in 2002.[19]

These dismal compensation trends for most workers have occurred despite increases in productivity over the past decade. The disconnect is largely due to more of the gains from increased productivity going to capital income, as well as an increase in wage inequality. As Figure 1 on page 40 shows, if the federal minimum wage had been adjusted since 1968 to keep pace with the increase in usable productivity—a conservative measure of productivity—since then, it would be $17.19 per hour. This disconnect is not inevitable or natural.[20]

Raising the minimum wage, as both the president and Democrats in Congress have proposed,

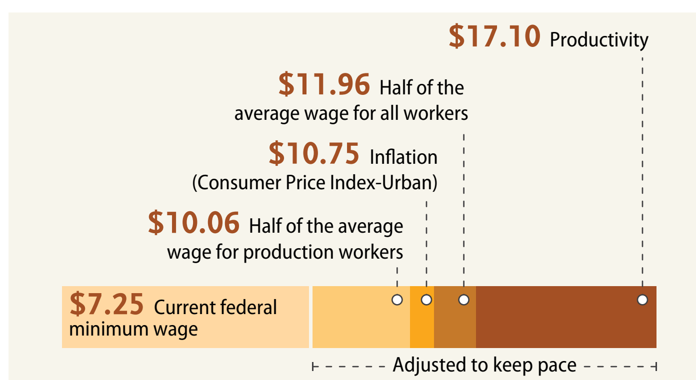
Protestors demonstrate to raise their wages to $15 an hour outside a fast-food restaurant in Los Angeles. Thousands of fast-food workers and their supporters have been staging protests across the country to call attention to the struggles of living on or close to the federal minimum wage.

ASSOCIATED PRESS/NICK UT, FILE

would help narrow the wage and productivity disconnect and boost the incomes of poorly compensated workers. As Figure 1 to the right shows, today's federal minimum wage of $7.25 per hour falls far below the real value of the minimum wage in 1968. The minimum wage should put a floor under wages, one that ensures employers pay enough for their workers to afford the basics. If employers do not pay their workers enough to maintain spending on necessities such as food, housing, clothing, transportation, and other items, both the economy and families suffer.

Figure 1: Minimum wage lagging behind

What the minimum wage would have been in 2013 had it been adjusted since 1968 to keep pace with average wages or other standards



Source: Janelle Jones and John Schmitt, "The Minimum Wage Is Not What It Used to Be," Center for Economic and Policy Research Blog, July 17, 2013, available at http://www.cepr.net/index.php/blogs/cepr-blog/the-minimum-wage-is-not-what-it-used-to-be.

One of most exciting developments in recent months has been the growing activism of workers. Over the past several months, thousands of fast-food workers in large cities across the country have staged short strikes and called for a $15-per-hour wage and the right to unionize without employer opposition. Furthermore, there are active grassroots campaigns in at least nine states to increase state-level minimum wages, typically to just more than $10 per hour.[21] Heeding these calls, in September 2013, California Gov. Jerry Brown (D) signed legislation that will increase the state's minimum wage to $9 per hour next year and to $10 per hour in 2016.[22] In November 2013, New Jersey voters will vote on a ballot measure that would increase the state's minimum wage to $8.25 in January 2014 and adjust it annually for inflation after that.[23]

In addition, worker activism has helped extend basic labor protections to millions of direct care workers, domestic workers, and child care workers over the past year.

The relationship between poverty and job trends

Trends in the poverty rate for working-age people and children over the past several decades can be explained largely by changes in a few core labor-market factors, particularly wages and unemployment. Looking at the period of time from 1967 to 2003, economist Hilary Hoynes and her colleagues found that:[26]

- For every 1 percentage-point increase in the unemployment rate, the poverty rate increased by about 0.5 percentage points.
- For every 10 percent increase in the median wage, the poverty rate fell by about 1.5 percentage points.
- For every 10 percent increase in wage inequality—measured as the ratio of the wage earned by a worker in the exact middle of the wage distribution to the wage earned by a worker in the 20th percentile from the bottom—the poverty rate increased by about 2.5 percentage points.

Hoynes also found that increases in women's employment since 1980 have helped keep poverty lower than it would have been because the increase in the number of women in the workforce increased family incomes.[27]

Finally, it is worth noting that the poverty rate remains high despite substantial increases in educational attainment. Between 1979 and 2012, the percentage of middle-aged adults ages 35 to 54 with incomes below the poverty line who had high school diplomas increased from 41 percent to 70 percent, and the share of such adults with some college or a college degree has more than doubled, reaching one-third in 2012.[28]

In September 2013, the Department of Labor approved a new federal rule that will end the exclusion of 2 million direct care workers from the minimum-wage and overtime protections available to nearly all other workers. Both Hawaii and California passed Domestic Worker Bill of Rights legislation this year.[24] The legislation extends labor protections enjoyed by nearly all other workers, as well as industry-specific rules, to one of the most vulnerable and poorly paid groups of workers in the United States. Finally, Minnesota enacted legislation that gives independent child care and home care workers the right to join a union and bargain collectively with the state.[25]

Meager benefits

Poorly compensated workers have fared little better when it comes to employee benefits over the past decade than they have on the wage front. As Indicator 11 shows, the share of low-wage workers with access to retirement benefits is 6 percent lower today than in 2009. And only 34 percent of low-wage workers had access to paid sick leave in 2013, compared to 37 percent in 2009.

There is good reason to think that access to paid sick leave will improve over time as more states and cities pass reforms in this area. In 2012, Connecticut became the first state to adopt a statewide law that allows a substantial share of workers to earn paid sick days. And in 2013, Portland, Oregon, and New York City became the fourth and fifth major cities, respectively, to adopt citywide paid sick days laws, joining San Francisco, Seattle, and Washington, D.C.[29] Typically, these laws allow workers to earn five or more days of paid sick leave annually. In San Francisco, for example, workers earn one hour of paid sick leave for every 30 hours worked, up to nine days annually—or five if they work for employers with 10 or fewer employees.[30]

On a related front, Rhode Island this year became the third state to pass paid family leave legislation, joining California and New Jersey, and Vermont became the first state to adopt legislation that gives workers a "right to request" flexible work arrangements.[31] If adopted on a wide scale, reforms such as these could help increase mothers' labor-force participation, which has declined over the past decade, as well as help narrow the gender wage gap.

Improving education

If there has been a bright spot in recent years, it is in education trends. As Indicator 4 shows, in the 2009-10 school year, the last school year for which complete data are available, the on-time high school graduation rate reached its highest level since 1974—78.2 percent. There has also been a notable increase in the share of the population above age 16 enrolled in postsecondary education, particularly since the start of the Great Recession.

Economists at the Federal Reserve Bank of Chicago have estimated that roughly 2.1 million additional people enrolled in postsecondary education between 2007 and 2010 than would have been predicted based on earlier trends.[32] This increase was driven in large measure by an increase in adults attending community colleges and other two-year postsecondary institutions. As shown by Indicator 6, one of the positive consequences of this has been an increase in the share of adults ages 25 to 34 with an associate's degree or higher.

Still, as noted above, the share of young people ages 16 to 24 who are not in school and not working—14 percent in 2012—remains above its level immediately before the recession and has improved little, if at all, over the past year. Between 2011 and 2012, a slight improvement in the number of employed youth—among those youth not in school—appears to have been largely offset by an increase in the number not in school.

Some of the increase in postsecondary enrollment is due to the growth of for-profit colleges, a fact that has mixed consequences for low-income students. Students who attend for-profit postsecondary institutions typically have much poorer labor-market outcomes than those who attend public and nonprofit schools. Recent research that controls for student characteristics such as family background found that students who attend public and nonprofit schools experience greater earnings benefits than those who attend for-profit schools.[33] Unfortunately, for-profit schools have opposed efforts to provide the public with accountability data.[34]

Cincinnati Community Action Agency's Head Start children are captivated in the classroom.

ASSOCIATED PRESS/ALEX BRANDON

Adam's story: *Lack of paid sick days hurts workers, their families, and the public*

Recently, Adam, a coffee-shop cook, found himself facing a very tough choice: stay home, recover from an illness, and lose a day or maybe two of much-needed pay; or go to work and jeopardize the health of his co-workers and the café's diners. According to Adam:

> *I work as a cook at a café in Denver, Colorado. It's a coffee shop with a full kitchen and full menu. I don't receive paid sick days, which is unfortunate for times like last week. I had a fever of 104 degrees for a few days in a row; two of those days I had to work and couldn't call in sick because I'd lose out on too much money, on top of doctors' bills, and getting prescriptions to get better, which I did [get better]. But on top of those things, taking time off would have cost me too much money. So I still had to go in, running a fever, and cook for a six-hour shift.*
>
> *It would've been a lot better for me if I would receive paid sick days, because then I wouldn't be doubling my losses. I would be able to not go into work and I could actually heal, get better, and perform at maximum efficiency at my job, as opposed to being sick, huddling over a kitchen [stove], making food for people.*

Paid sick leave allows workers such as Adam to take time off from work when they are ill or to attend routine medical appointments without losing pay. Oftentimes, workers are forced to forgo caring for a child or a sick family member in order to go into work to make enough money to pay utility bills or that month's rent. Paid sick leave enables workers not to have to make this difficult decision.

Note: Half in Ten was referred to this story by 9to5 Colorado.

Recommendations

The federal government and states can create more good jobs and reduce poverty and inequality by adopting the following policies. Specifically, they should:

- Create transitional public jobs by establishing a Pathways Back to Work Fund.
- Modernize and invest in our public infrastructure.
- Enact living-wage provisions and expand access to paid leave.
- Create state-sponsored retirement-savings-plans options and increase Social Security minimum benefits for low-wage workers and caregivers.
- Strengthen collective bargaining rights.
- Improve pay and working conditions for poorly compensated workers in health care, child care, and other care-related occupations.
- Prohibit employers from using credits checks in hiring, retention, and promotion decisions.
- Maintain and strengthen the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit.
- Expand access to affordable and effective higher education and skills training.

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

Create jobs by establishing a Pathways Back to Work Fund and making immediate, upfront investments in public infrastructure

Jobs should be Congress's top priority. As discussed above, this means adopting the Pathways Back to Work Fund to reduce unemployment among low-income adults and young people and making immediate, upfront investments in our transit systems, roads, bridges, and other public infrastructure.

Investments such as these will strengthen our economy and improve our quality of life and create good-paying jobs in the construction industry and other sectors. Congress, states, and localities should also adopt construction-careers policies modeled on ones adopted by Los Angeles County and other large metropolitan areas. Under the Los Angeles policy, all transit and highway construction projects must have at least 40 percent of all project hours performed by workers from low-income areas and at least 10 percent performed by low-income disadvantaged workers in specified target categories, including being a single parent or a veteran of Iraq or Afghanistan who receives public assistance.[35]

Women rally for access to paid sick days on the steps of New York City Hall

ASSOCIATED PRESS/RICHARD DREW

Congress needs to address the decline in real earnings and reduce the gender wage gap by adopting the Fair Minimum Wage Act of 2013 (H.R. 1010; S. 460). The act would increase the federal minimum wage to $10.10 per hour and adjust it automatically each year after that for changes in the cost of living. The act would also raise the federal subminimum wage for tipped workers to 70 percent of the regular minimum wage. Currently, federal law allows employers to pay tipped workers—including restaurant servers, car-wash workers, and nail-salon technicians, among others—a minimum wage that has been frozen at just $2.13 since 1991—more than 19 years ago.[36]

In addition, Congress should ensure that all workers are able to earn paid sick leave. As Adam's story on page 44 shows, without paid sick leave, millions of poorly compensated workers end up having no choice but to keep working when illness strikes. The proposed Healthy Families Act would ensure that all workers in the United States in firms 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.

A s Indicator 11 shows, an increasing share of low-income and lower-middle-class workers does not have access to an adequate employer-provided retirement plan. Even when these workers 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.[37]

In 2012, California took a historic step toward addressing this problem by adopting legislation that could lead to the establishment of the first state-sponsored retirement-savings plan for private-sector employees without retirement benefits through their employers.[38] Under the California Secure Choice Retirement Savings Program, eligible workers would be automatically enrolled in the program, with the ability to opt out. Workers' contributions would be conservatively invested, and administrative costs would be kept extremely low.[39] States should follow California's lead and move toward studying and establishing similar systems.

The federal government could support these efforts by increasing the value of the Retirement Savings Contributions Credit, or 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. The government should make this credit refundable so that all poorly compensated workers who save for retirement benefit.

Finally, Social Security should be strengthened for low-wage 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 to adults who spent part of their working years caring for children or elderly parents.[40]

Strengthen collective bargaining rights

Strong unions help build the middle class by giving workers a voice in the workplace and in our democracy.[41] Reducing poverty substantially will be difficult until union membership starts to increase. Unfortunately, only 11.3 percent of workers are currently union members, down from 20.1 percent in 1980.[42] The long-term decline in union membership is due in part to the unfair tactics used by anti-union employers. John Schmitt and Ben Zipperer of the Center for Economic and Policy Research have estimated that workers were illegally fired in roughly 30 percent of union certification elections in 2007 and that illegal terminations have increased over the past several decades as unionization rates have fallen.[43] At the very minimum, Congress should increase penalties on employers who violate the National Labor Relations Act. It should also make other labor-law improvements included in the Rebuild America Act (S. 2252), introduced in 2012 by Sen. Tom Harkin (D-IA).

Improve compensation and working conditions in health care support, child care, and other care-related occupations

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's list of the occupations with the largest projected job growth by 2020.[44]

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 sector's compensation structures.

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

According to a survey conducted by the Society for Human Resource Management, 6 out of 10 employers surveyed conduct credit checks when hiring some or all of their new employees. 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 leads to discriminatory hiring and firing decisions that violate federal civil rights laws. 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.[45]

Maintain and strengthen the Earned Income Tax Credit for young people and support for people with disabilities and those who care for them

The Earned Income Tax Credit rewards hard work for the breadwinners of low-income families struggling to enter the middle class, and it has helped offset some of the decline in real wage rates for poorly compensated workers. But the Earned Income Tax Credit 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, for example, was only $487 in 2013, less than one-tenth the credit for a couple with two children.[46] 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 the age of 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.[47] This helps offset some of the additional disability-related costs faced by these workers.

Expand access to affordable and effective higher education and skills training

The Workforce Investment Act, or WIA, first authorized in 1998, turned 15 this year, but it has yet to be reauthorized. Moreover, despite the current high unemployment rate, funding for WIA has declined by $500 million since 2010, and the House has proposed further massive cuts.[48] Earlier this year, the Senate Health, Education, Labor, and Pensions, or HELP, Committee passed bipartisan legislation that would reauthorize WIA. The legislation could be further improved by incorporating the provisions of the Strengthening Employment Clusters to Organize Regional Success, or SECTORS, Act, bipartisan legislation that would provide federal support for sector-based partnerships that align worker skills with business needs. Meanwhile, the House-passed version of the act would effectively block-grant WIA and eliminate the current service priority for low-income people. Combined with funding cuts, these measures would only serve to reduce access to training for disadvantaged Americans. Congress should reauthorize WIA—but only if it can do so in a balanced manner along the lines of the bipartisan Senate HELP bill.[49]

Finally, Congress should expand access to higher education by increasing Pell Grant and Federal Work-Study investments and ensuring that working and other nontraditional students are able to access financial aid.[50] Moreover, the federal government should adopt policies that provide potential students of for-profit colleges with strong protections against fraud and abusive practices.

Four of the 10 good-jobs indicators—high school graduation, youth inclusion, educational attainment of 25- to 34-year-olds, and the overall unemployment rate—have moved in a positive direction over their most recent reporting periods. The remaining five indicators—employment of people with disabilities, wages for service workers, the share of poorly compensated workers with paid sick leave, the share of poorly compensated workers with retirement benefits, and the gender wage gap—did not change significantly.

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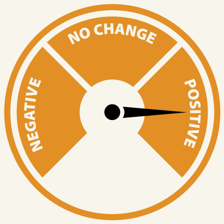
Indicators

4 ON-TIME GRADUATION RATES OF HIGH SCHOOL FRESHMAN

The on-time high school graduation rate measures the percentage of students who enter high school as freshmen and graduate within four years. The on-time high school graduation rate increased from 75.5 percent in the 2008-09 school year to 78.2 percent in the 2009-10 school year, the highest level since 1974.

As Figure a shows, over the most recent 10-year period, the on-time high school graduation rate increased by 6.5 percentage points, rising from 71.7 percent in the 1999-2000 school year to 78.2 percent in the 2009-10 school year. But as Table b shows, there are substantial disparities by race in on-time graduation rates: Rates for whites and for Asian Americans and Pacific Islanders are substantially higher than for blacks, Hispanics, and Native Americans.

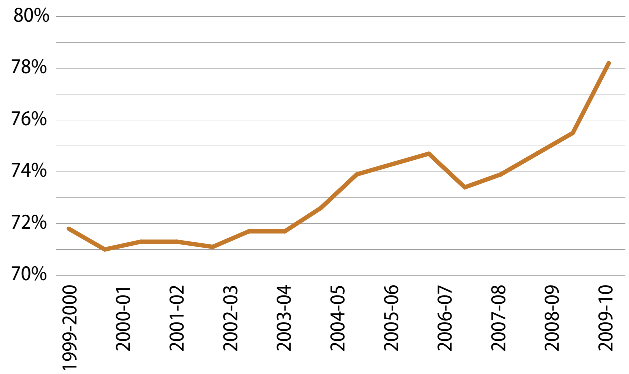


78.2%

OF HIGH SCHOOL STUDENTS GRADUATED ON TIME AT THE END OF THE 2009-10 SCHOOL YEAR

a *The on-time high school graduation rate has increased over the past decade*

On-time high school graduation rate, 1999-2000 school year to 2009–10 school year



Source: National Center for Education Statistics, *Digest of Education Statistics 2012* (U.S. Department of Education, 2012), table 124.

b *Considerable gaps remain in graduation rates by race and ethnicity*

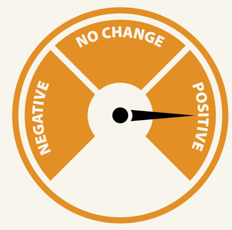
Average freshman graduation rate by race and ethnicity 2009–10 school year

	Average freshman graduation rate	Difference compared to white rate
Total	78.2%	
White	83.0%	
Black	66.1%	-16.9%
Hispanic	71.4%	-11.6%
Asian American or Pacific Islander	93.5%	10.5%
Native American	69.1%	-13.9%

Source: National Center for Education Statistics, *Public School Graduates and Dropouts from the Common Core of Data: School Year 2009-10: First Look (Provisional Data)* (U.S. Department of Education, 2013), table 2

5 ECONOMIC INCLUSION OF YOUNG PEOPLE

In 2012, 5.44 million youth—14 percent—were neither in school nor employed. As Figure a shows, the percentage of youth not in school and not working has been declining since 2009, but it has yet to return to its prerecession level—12.5 percent in 2007. To increase the share of youth in education, employment, or training, Congress should adopt President Barack Obama's Pathways Back to Work Fund, which includes $2 billion to create jobs for young people, as well as allow young workers who do not have children to receive the Earned Income Tax Credit.

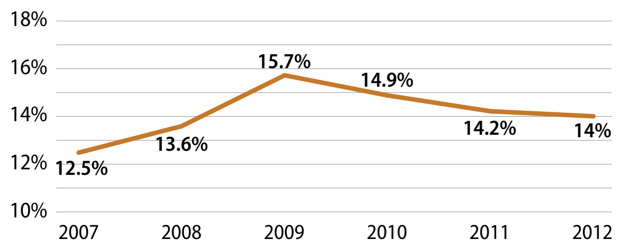


14%

OF YOUTH AGES 16 TO 24 WERE NOT IN SCHOOL OR WORKING IN 2012

a *Percentage of youth not employed or in education is declining but still high*

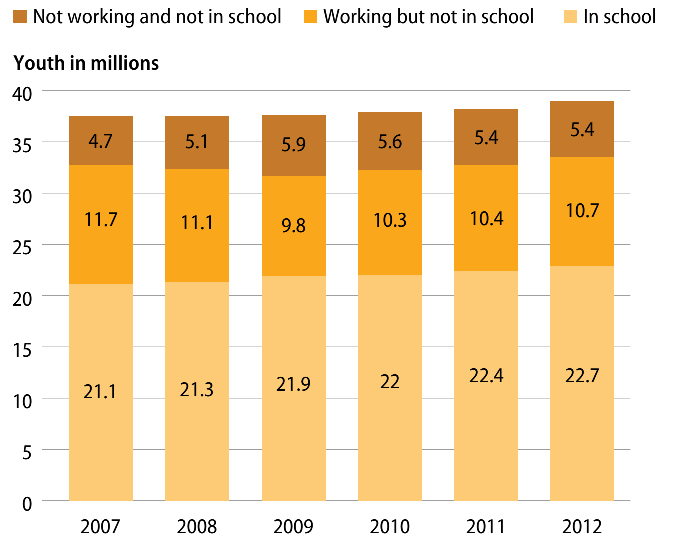
Youth ages 16 to 24 who were not in school or working, 2007-2012



Source: U.S. Bureau of Labor Statistics, "College Enrollment and Work Activity of High School Graduates," Press releases, 2007 to 2012, available at http://www.bls.gov/schedule/archives/all_nr.htm#HSGEC.

b *More than 5 million young people are not working or in school*

Youth ages 16 to 24 by employment and education status, 2007-2012



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Indicators

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

The percentage of young adults ages 25 to 34 that have an associate's degree or higher increased by 1 percentage point between 2011 and 2012; it has increased by nearly 4 percentage points since 2007. The increase is due in part to the substantial growth in college enrollment between 2006 and 2011. In fall 2012, however, college enrollment fell, mostly due to a decline in the enrollment of students over age 25.

As figure b shows, in 2012, slightly more than half of 20- to 21-year-olds were enrolled in college. To further increase the educational attainment of young adults, Congress should expand access to higher education by increasing Pell Grant and Federal Work-Study investments and ensuring that working and nontraditional students are able to access financial aid.

44.1%

OF YOUNG ADULTS HAD A ASSOCIATE'S DEGREE OR HIGHER IN 2012

a *Considerable gaps remain in graduation rates by gender, race, and ethnicity*

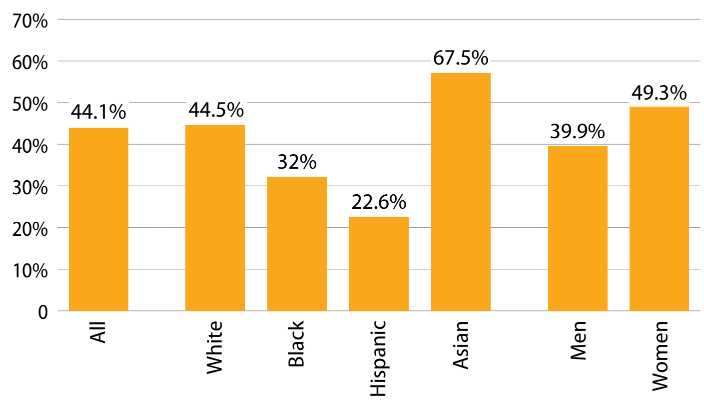
25- to 34-year-olds with associate's degree or higher, by race and ethnicity, 2012

	Enrolled in high school	Enrolled in college	Not enrolled in school	
			Have a high school diploma	Do not have a high school diploma
All	2.5%	51.4%	39.4%	6.6%
White	1.8%	52.6%	39.7%	5.9%
Black	5.6%	43.6%	39.2%	11.4%
Hispanic	2.9%	46.7%	38.8%	11.7%
Asian	3.8%	69.7%	23%	2.4%

Source: U.S. Census Bureau, "Educational Attainment in the United States: 2012 - Detailed Tables," table 3, available at http://www.census.gov/hhes/socdemo/education/data/cps/2012/tables.html (last accessed September 2013).

b *More than half of 20- to 21-year-olds were enrolled in college in 2012*

School enrollment status of 20- to 21-year-olds by race and ethnicity, 2012

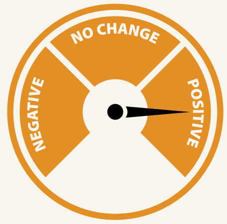


Source: Author's calculations from U.S. Census Bureau, "Educational Attainment in the United States: 2012 - Detailed Tables," table 3, available at http://www.census.gov/hhes/socdemo/education/data/cps/2012/tables.html (last accessed September 2013).

7 UNEMPLOYMENT RATE FOR ALL WORKERS

The unemployment rate continued to decline in 2013, falling from 8.1 percent in August 2012 to 7.3 percent in August 2013. Unfortunately, some of the decline is due to discouraged workers leaving the labor force. The labor-force participation rate in August 2013 was 63.2 percent, compared to 63.5 percent in August 2012.

Reducing unemployment needs to be Congress's top priority. Policies that would create jobs and move us in the direction of full employment include ending the sequester and other harmful austerity policies, making immediate investments in public infrastructure, and creating transitional public jobs for youth and the most-disadvantaged workers.

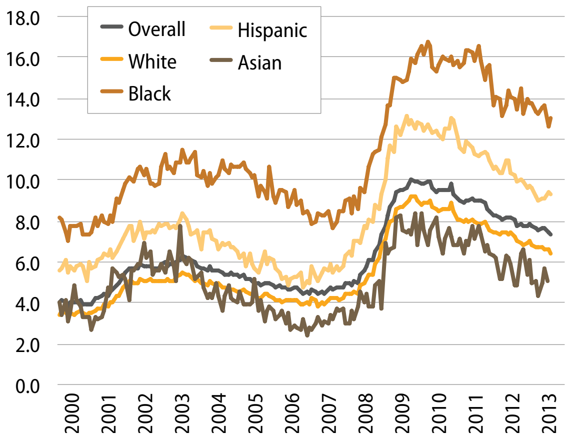


7.3%

THE UNEMPLOYMENT RATE IN AUGUST 2013

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

Unemployment rate, 2000–August 2013, by race and ethnicity



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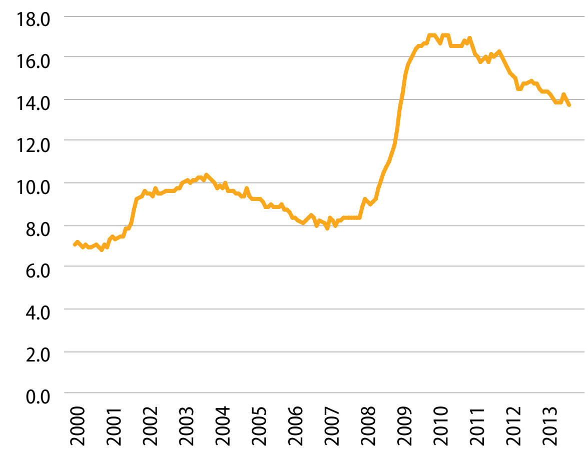
b *Slightly more than one in seven workers are unemployed, underemployed, or discouraged*

U-6 unemployment rate, 2000–August 2013



Source: Federal Reserve Bank of St. Louis, "Total unemployed, plus all marginally attached workers plus total employed part time for economic reasons (U6 rates)," available at http://research.stlouisfed.org/fred2/series/U6RATE (last accessed October 2013).

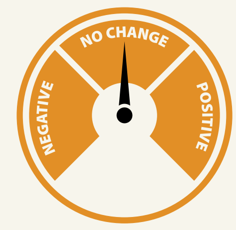
Note: The U-6 unemployment rate is equal to the total number of unemployed people, plus all marginally attached workers and the total number of people employed part time for economic reasons, as a percent of the civilian labor force and all marginally attached workers.

Indicators

8 EMPLOYMENT RATE OF PERSONS WITH A DISABILITY

Among the 15.3 million people ages 16 to 64 with disabilities in 2012, only 4.1 million—27 percent—were employed, compared to 70.4 percent of people in the same age range with no disability. There was no change in the employment rate for working-age people with disabilities in 2012. As Table b shows, women with disabilities are somewhat less likely to be employed than men with disabilities. One group of people with disabilities—veterans—has a relatively low unemployment rate, in part because slightly more than one-third of it is employed in the public sector.

Policies that would increase the employment rate of people with disabilities include full implementation of the Affordable Care Act, investments in transitional jobs that lead to competitive, integrated employment in quality careers, and extension of the full Earned Income Tax Credit to all low- and moderate-income workers with disabilities.



27%

OF PEOPLE WITH DISABILITIES AGES 16 TO 64 WERE EMPLOYED IN 2012

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

People with disabilities, employment, and unemployment, 2012

Source: U.S. Bureau of Labor Statistics, "Persons with a Disability: Labor Force Characteristics—2012," Press release, June 12, 2013, available at http://www.bls.gov/news.release/archives/disabl_06122013.htm.

b *Women with disabilities are less likely to be in the labor force than men*

Employment and unemployment rates for people with disabilities ages 16 to 64 by gender, August 2013

	Labor-force participation rate	Employment rate	Unemployment rate
Women	29.1%	24.5%	15.8%
Men	33.5%	28.4%	16%

Source: U.S. Bureau of Labor Statistics, "The Employment Situation—August 2013," table A-6, Press release, September 6, 2013, available at http://www.bls.gov/news.release/pdf/empsit.pdf.

c *Public-sector employment has kept the unemployment rate of veterans with disabilities relatively low*

Unemployment rates for veterans and the percent of employed veterans working in the public sector by disability status, 2012

Veterans	Unemployment rate of veterans	Employed veterans working in public sector
With service-connected disability	6.5%	34.4%
Without service-connected disability	7.1%	19.4%

Source: U.S. Bureau of Labor Statistics, "Employment Situation of Veterans—2012," Press release, March 20, 2013, available at http://www.bls.gov/news.release/pdf/vet.pdf.

9 PAY OF WORKERS IN SERVICE OCCUPATIONS

About 14 percent of U.S. workers work in one of the five categories of service occupations: health care support, protective services, food preparation, personal care and service, and building and grounds cleaning and maintenance. Median weekly earnings for full-time workers in these service occupations in 2012 were $485, or about $24,300 annually. Adjusted for inflation, there was little or no change in service occupation pay between 2011 and 2012. But since 2002, median wages for service workers have fallen by 4 percent.

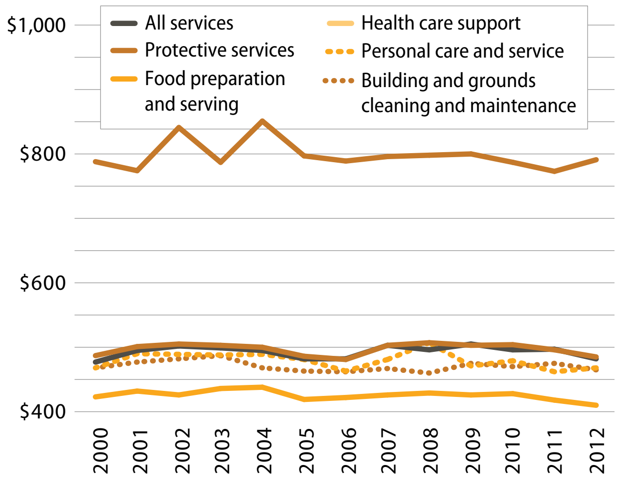
Service workers deserve a raise. Policies that would help on this front include increasing the federal minimum wage to at least $10 per hour, encouraging greater union participation among poorly compensated workers, and halting attacks on the basic rights of workers.

$485

MEDIAN WEEKLY EARNINGS FOR A FULL-TIME SERVICE WORKER IN 2012

a *Real wages for service workers are lower today than in 2002*

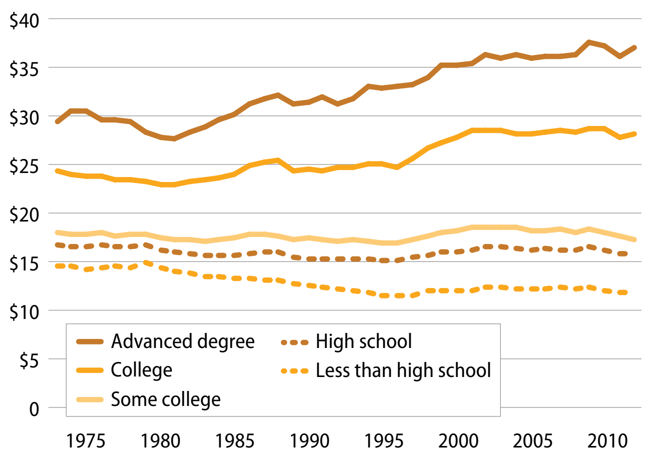
Real median weekly earnings for full-time workers in service occupations, by major category, 2000–2012 (in 2012 dollars)



Source: Table 39 in U.S. Census Bureau's 2000 through 2012 Current Population Surveys, available at http://www.bls.gov/cps/tables.htm.

b *Real wages have fallen for workers without college degrees*

Real wages by education, 1973–2012 (in 2012 dollars)



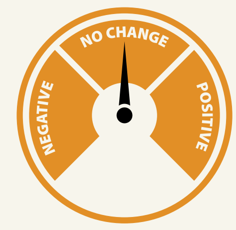
Source: Economic Policy Institute, "State of Working America" (2013), table 4.14.

Indicators

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

Only about 34 percent of workers in the bottom quarter of the wage distribution had access to paid sick leave in 2013. The percentage change between 2012 and 2013 was not statistically significant. As Figure a shows, poorly compensated workers are much less likely to have paid sick leave than other workers. For example, workers in the second quarter of the wage distribution—between $11.53 and $17.46 per hour—are more than twice as likely to have paid sick leave as those in the bottom quarter.

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 firms with at least 15 employees are able to earn one hour of paid sick leave for every 30 hours worked. As Figure b shows, 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.

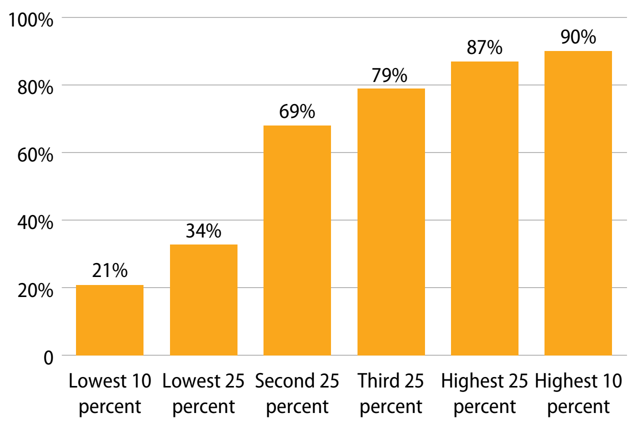


34%

OF WORKERS PAID $11.53 OR LESS PER HOUR HAD ACCESS TO PAID SICK LEAVE IN 2013

a *Poorly compensated workers are much less likely to have paid sick leave*

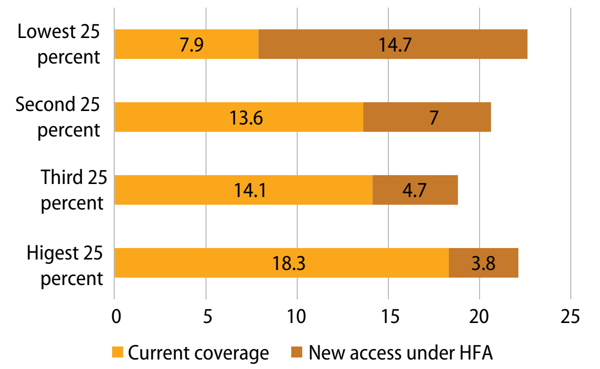
Workers with access to paid sick leave by wage percentile, March 2013



Source: From the U.S. Bureau of Labor Statistics' 2009, 2010, 2011, 2012, and 2013 National Compensation Survey: Employment Benefits in the United States.

b *The Healthy Families Act would give nearly 15 million poorly compensated workers access to paid sick leave*

Number of workers (in millions) with current access to paid sick leave and gaining new access under the Healthy Families Act by wage quartile



Source: U.S. Congress Joint Economic Committee, "Expanding Access to Paid Sick Leave: The Impact of the Healthy Families Act on America's Workers" (2010).

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

Only about 40 percent of workers in the bottom quarter of the wage distribution—$11.53 an hour or less in 2013—had access to an employer-sponsored retirement benefit plan. The change between 2012 and 2013 was not statistically significant. As Figure a shows, the share of poorly compensated workers is 6 percentage points lower today than in 2009.

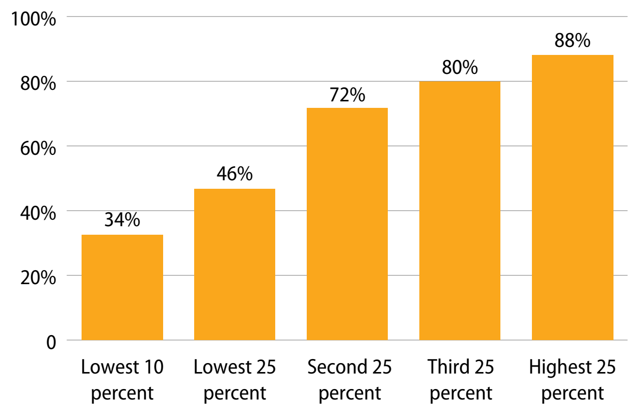
Retirement benefits are provided through either defined-benefit plans (traditional pensions) or defined-contribution plans such as 401k plans. Table b shows that disparities in access to defined-benefit plans are even greater than for defined-contribution plans. Table 1 also shows that poorly compensated workers who have access to retirement plans are much less likely to participate in them, especially in defined-contribution plans. To improve the retirement security of poorly compensated workers, Social Security should be strengthened for them, as well as adults who spent part of their working years caring for children or elderly parents.

40%

OF WORKERS PAID $11.53 OR LESS PER HOUR HAD ACCESS TO AN EMPLOYER-SPONSORED RETIREMENT PLAN IN 2013

a *Poorly compensated workers are much less likely to have retirement benefits*

Workers with access to retirement benefits by wage percentile, March 2013



Source: From the U.S. Bureau of Labor Statistics' 2009, 2010, 2011, 2012, and 2013 National Compensation Survey: Employment Benefits in the United States.

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 2013

		Access	Participation	Take-up rate
Defined-benefit plans	Lowest 10 percent	5%	3%	66%
	Lowest 25 percent	9%	7%	79%
	Second 25 percent	23%	21%	89%
	Third 25 percent	36%	33%	92%
	Highest 25 percent	50%	46%	92%
Defined-contribution plans	Lowest 10 percent	24%	8%	33%
	Lowest 25 percent	35%	17%	48%
	Second 25 percent	59%	40%	68%
	Third 25 percent	63%	47%	74%
	Highest 25 percent	68%	54%	79%

Source: Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2013* (U.S. Department of Labor, 2013).

Indicators

12 GENDER WAGE GAP

In 2012, median annual earnings for women working full time and year round were $37,791, 76.5 percent of the median annual earnings of $49,398 for men working full time and year round. As Figure a shows, the gender wage gap did not change significantly between 2011 and 2012. Moreover, there has been little progress in closing the gender wage gap since 2001.

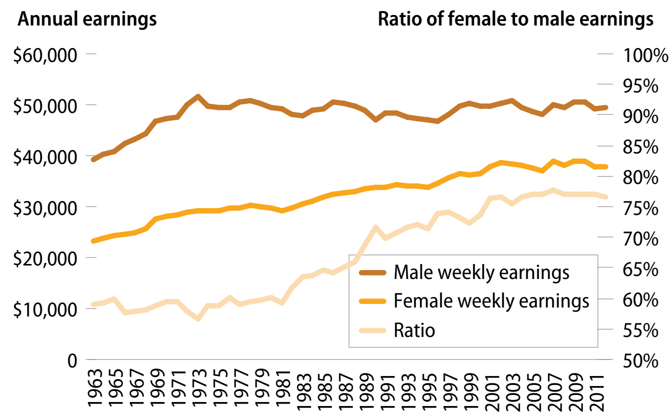
Unequal pay means lower earnings for women and higher poverty rates for both married couples and female-headed households. In the 1990s, the Institute for Women's Policy Research estimated that boosting women's pay to men's levels would cut the poverty rate in half for both single mothers and married couples and by even more for single women without children. Passing the Paycheck Fairness Act would reduce the gender wage gap. Policies such as increasing the minimum wage, expanding investments in child care, and improving pay for workers in female-dominated occupations such as care work would help narrow the gender wage gap.

76.5%

RATIO OF WOMEN'S EARNINGS TO MEN'S EARNINGS

a *Little improvement in wage gap over last decade*

Annual median earnings of full-time, year-round workers in 2012 dollars



Source: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplements* (U.S. Department of Commerce, 2013), historical income table P-36.

b *African American and Latina women have lowest annual earnings*

Gender wage gaps, by race and ethnicity, 2012

	Median annual earnings for full-time, year-round workers: Men	Median annual earnings for full-time, year-round workers: Women	Female earnings as percentage of male earnings of same race/ethnicity	Female earnings as percentage of earnings of white males
All races/ethnicities	$49,398	$37,791	76.5%	
White	$52,535	$40,912	77.9%	77.9%
African American	$38,515	$33,885	88.0%	64.5%
Latino or Hispanic	$32,243	$28,424	88.2%	54.1%
Asian American	$58,715	$45,586	77.6%	86.8%

Source: Ariane Hegewisch, Claudia Williams, and Angela Edwards, "The Gender Wage Gap: 2012" (Washington: Institute for Women's Policy Research, 2013).

CHAPTER THREE

Strengthening families and communities

Strategies to promote better economic and social outcomes for all families

By Joy Moses

Lisa Zilligen, 28, prepares lunch for her three children, Miles, 20 months, Olivia 6, left, and Danielle, 8, in her home in Chicago.

ASSOCIATED PRESS/M. SPENCER GREEN

Poverty is associated with challenges that make it more difficult to create and maintain strong, loving, and supportive families. Struggles to make ends meet and related stressors divide parenting couples and, as a result, put parent-child bonds at risk. Extreme hardship could lead to involvement in systems such as child welfare, criminal justice, homelessness, immigration enforcement—all of which physically divide families and otherwise stress their bonds. These outcomes are likely both a consequence and cause of poverty.

Solutions aimed at strengthening families must be grounded in efforts to improve the economic security of families. Priorities include increased access to quality employment opportunities, job stability, decent wages, good benefits such as health care and paid leave, and a solid and dependable safety net. Some families may also benefit from high-quality social services such as parenting education, social work assistance, substance-abuse treatment, or family counseling.

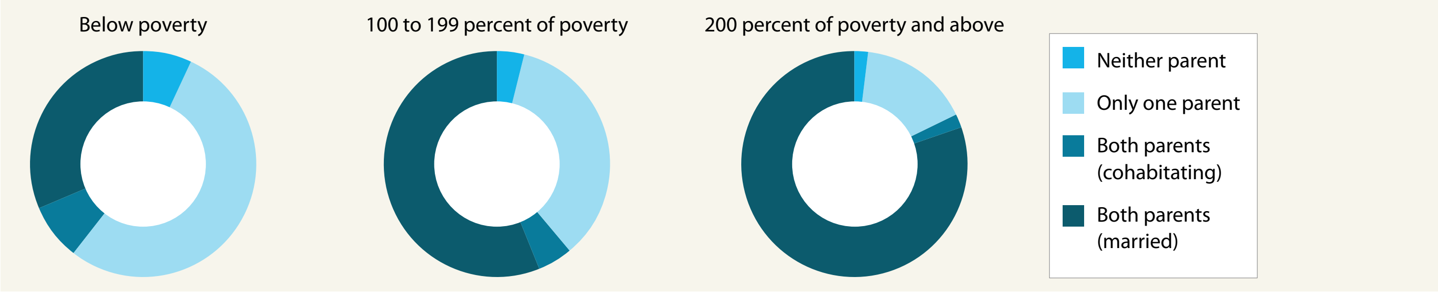
This chapter will highlight family-strengthening data trends that developed between 2011 and 2012. Modest improvements in family employment, for example, coincided with the nation's continued recovery from the Great Recession along with a decline in teen birth rates, which dropped 6 percent between 2011 and 2012. Also discussed in this chapter are significant issues impacting family-strengthening efforts in 2012, specifically government austerity measures that are resulting in cuts to anti-poverty programs and increased deportations, which, coupled with failures to enact immigration reform, are resulting in far too many children being separated from their parents.

Poverty and family cohesiveness go hand in hand

There is a close link between poverty and significant factors that shape and define families. Children living below the poverty line most commonly have parents who are unmarried and living apart.[1] (see Table 1) For their more economically secure peers, the exact opposite is true: These children are most likely to have parents who are married and living together as a family unit.

These differences are not cultural or value-based; various surveys demonstrate that low-income adults value marriage at rates that mirror the middle class and rich.[2] Instead, economic insecurity is likely both a significant cause and consequence of family structure outcomes. On the causal end, financial concerns are often cited as a reason not to marry: "I need to find a stable job first"; "We both need to get our finances in order before going down the aisle"; or "Our marriage couldn't survive the stress of constantly trying to make ends meet."[3] On the consequence side, having a one-income family—either outside or inside the institution of marriage—as opposed to a two-income family makes it more challenging to put poverty firmly in the rearview mirror.

Living arrangements of America's children by poverty status (2012)



Source: Bureau of the Census, ***America's Families and Living Arrangements: 2012*** (U.S. Department of Commerce, 2013).

These circumstances put family relationships at risk. Parental relationships may be strained by concerns related to money and can result in fathers living apart from their children with the very real possibility that father-child bonds could be weakened or completely severed.

Unfortunately, poverty divides families in even more significant and troublesome ways. Low-income families are more likely to be involved in the following systems that weaken familial connections.

Criminal justice

The race to incarcerate during the past few decades has disproportionately affected those with limited education—a group also impacted by increased unemployment and decreased earnings. According to the most recently available data published by the Pew Research Center in 2010, one in eight white young adult males and one in three black young adult males without a high school diploma were in prison.[4] More than half of the prison population in America consists of parents—52 percent of state inmates and 63 percent of federal.[5] Imprisonment physically separates parents from their children, straining parent-child bonds and interfering with this vital relationship.

Child welfare

There is a well-established connection between poverty and involvement in the child welfare system. While child maltreatment occurs in families of all income levels, children in the lowest-income families (those families earn-

Girls in Erie-Huron Community Action Commission's Head Start program are excited to wear their newly knitted winter hats from Hats of Love, a crew of volunteers who make clothing for those in need in northern Ohio.

ERIE-HURON COMMUNITY ACTION COMMISSION

The first day low-income customers were allowed to request emergency aid through the Low Energy Assistance Program in Trenton, New Jersey.

ASSOCIATED PRESS/MEL EVANS

ing $15,000 or less annually) are identified as maltreated at a rate more than five times that of other children.[6] Some researchers have found a causal connection, suggesting that reducing poverty will lead to less child maltreatment.[7] Existing theories about the poverty-maltreatment connection point to such factors as unemployment and financial stressors on parents, the inability to provide basic necessities—food, shelter, and medical care—being perceived as neglect, a lack of information about child development, and greater exposure to mandatory reporters due to a family's participation in anti-poverty programs.[8]

The poverty-maltreatment connection negatively impacts family cohesiveness. Poor children with reports of neglect are substantially more likely than their more economically secure peers to be placed in out-of-home care,[9] separating them from their parents, siblings, and other family members.

Homelessness

For low-income families with limited resources, poverty and the inability to afford housing can lead to homelessness. To highlight the seriousness of the problem, a yearly survey of homeless people in January 2012 showed that 239,403 people in low-income families were living either in shelters or places not meant for human habitation—for example, streets, vehicles, or campgrounds—an increase of 1.4 percent compared to January 2011.[10]

Fortunately, most homeless families with children are not in these situations. They are most likely to be in doubled-up homeless situations—sharing the housing of others in multigenerational family units or with friends—due to economic hardship. During the 2010-11 school year, the nation's schools enrolled 1,065,794 homeless children and youth, nearly three in four of whom lived in doubled-up households.[11] Children in shelters, doubled-up households, and other types of homeless situations experience great amounts of housing instability, which is disruptive, disorienting, and associated with negative academic outcomes such as grade retention, lack of school completion, and lack of interpersonal skills.[12]

It should come as no surprise that homelessness disrupts families: One in five homeless children are separated from their immediate families at some point.[13] More than half of the cities surveyed by the U.S. Conference of Mayors report that families may have to break up in order to enter shelters; some shelters deny access to older boys, often beginning at the age of 13, and fathers.[14] Parents who cannot find temporary housing for the whole family often leave their children in doubled-up situations with various relatives and friends.[15] Furthermore, there is also an established connection between homelessness and child welfare involvement. The inability of a parent to provide safe housing may be a concern for child welfare agencies, and when families are separated, a lack of a permanent address could delay reunification.[16]

Immigration enforcement

Immigration enforcement divides families when individual members are detained or deported. The number of people and families impacted is staggering. Some 16.6 million people are a part of what are termed "mixed-status" families—at least one U.S. citizen and one undocumented resident—including 4.5 million U.S. citizen children who have an undocumented parent.[17] Immigrants from Mexico are overrepresented in this group, causing a concern for the 3.5 million U.S. citizen children who have noncitizen Mexican parents.[18] These families live in constant fear that a parent will be taken away.

Since many of those deported are men, this leaves a substantial number of women in the United States to raise children as single parents. Not only does this status increase their risk of poverty but undocumented mothers are legally prevented or strongly discouraged from participating in many anti-poverty services, making their families even more economically vulnerable than single mothers with citizenship.[19]

Furthermore, some family separations lead to involvement in the foster care system. Researchers from the Applied Research Center found that at least 5,100 children are currently in foster care and cannot be reunited with their parents due to detention and deportation.[20] It is estimated that 15,000 more children could face a similar fate over the next five years.[21]

Data trends in 2012 and 2013

This report tracks significant indicators that are annually updated by the U.S. Census Bureau and other agencies. In 2012, there were modest improvements in various economic security indicators, reflecting continued progress in the nation's recovery from the Great Recession of 2007 to 2009. Increases in employment and decreases in poverty help strengthen families. Other indicators are also relevant, such as the degree to which children are able to remain connected to their parents.

Family poverty

Compared to the previous year, children were slightly more prone to be living with only one of their parents. In 2012, 28.3 percent of children lived with one parent, compared to 27.1 percent in 2011.[22]

Single-mother families continue to be the most likely to experience economic insecurity. In 2012, 41 percent of families headed by single mothers fell below the poverty line, the same amount as in 2011.[23] Although the number of single-father families remains small, their numbers have increased ninefold since 1960.[24] Single-father families tend to fare better economically than single mothers but still have elevated rates of poverty at 23 percent, which is slightly higher than the previous year.[25]

Married-couple families are far less likely to experience economic hardships with a poverty rate of 9 percent in 2012, similar to the 2011 rate.[26] Even though children in married-couple families are less likely to be poor, the group should not be ignored in policy discussions: 5.3 million children in married-couple families live in poverty, representing 34 percent of all kids in poverty.[27]

A woman stocks up on bread at Sacred Heart Community Center in San Jose, California.

ASSOCIATED PRESS/MARCIO JOSE SANCHEZ

Family employment

Over the past few decades, more and more families have come to depend on two incomes—either as a matter of financial necessity or as a means of affording a better lifestyle. Among married-couple families with children, 64 percent have both parents in the workforce. When a spouse or unmarried partner in a household loses a job, it may significantly affect the economic security of the entire family. Suddenly paying rent, keeping up with utilities payments and other bills, and purchasing food could become hardships. This suggests that looking at the employment rate of the family unit—as opposed to individuals—is important; ideally, if both parents feel they need to work, they should be able to do so.

In 2012, 10.1 percent of families were experiencing unemployment, down from 12.1 percent in 2011.[28] This means that one or both of the parents want to work but are unemployed.

Perhaps because parents with limited education are more likely to be unmarried and living as single adult or with a live-in partner, those household types have above-average unemployment rates. Within unmarried-couple households, 19 percent experienced unemployment in 2012—one or both of the parents wanted to work but were unable to—and 12.9 percent of single-parent households also fell into this category.[29] Many of these families were struggling to keep up with household expenses with some possibly showing signs of stress. This stress can manifest in arguments between adults over money and one partner's inability to find employment, or it can be a parent's employment-related depression, which may diminish the amount of quality time spent with children.

Children living apart from parents

Not all of America's children live with both or even one of their parents. They may be staying with relatives or family friends or in foster care. Various challenges may cause these separations—for example, parental substance abuse, neglect, abandonment, homelessness, incarceration, mental or physical illness, and youth and inexperience.[30] These issues, or the inability to get help for them, can be rooted in poverty or a general lack of appropriate economic and social resources. The reasons parents cannot care for their children are not the only concern. Also significant are the financial strains on grandparents and other relative caregivers; research reveals that these individuals are more likely to be poor than the general population.[31]

Over the past few years, there have been slight decreases in this population that represents 3.6 percent of America's children.[32] In 2012, there were 276,000 fewer children living apart from their parents as compared to the previous year.[33] Most of these children—81 percent—continued to live with grandparents and other relatives.[34]

Teen pregnancy

The teen pregnancy rate dropped dropped 6 percent between 2011 and 2012.[35] Black and Hispanic girls, however, are still more likely to experience a teen pregnancy, but these groups also continued to experience overall declines in this indicator. Notably, Hispanic teen pregnancy rates dropped 39 percent since 2007, which was higher than average.[36] Continued progress on this indicator suggests improved life chances for young women and children: Teen mothers have a high-school completion rate of about 50 percent compared to 90 percent for women who did not give birth as teens.[37] Children of teen mothers are associated with a higher likelihood of unemployment or underemployment and incomplete high school.[38]

Policy trends in 2012 and 2013

Government austerity and immigration reform were significant issues that impacted a strengthening-families agenda in the policy world during the past year. The sequester and other efforts to cut public spending are harming vulnerable Americans who participate in government programs that help with their basic needs and aid to keep their families together. Furthermore, continued failures to complete immigration reform threatens to keep a disproportionate number of undocumented working families economically insecure and at risk of separation via immigration-enforcement measures.

Austerity

The Budget Control Act of 2011 took effect in early 2013, resulting in nearly $43 billion in cuts to nondefense programs in its first year of implementation.[39] The impact on American families is unsettling.

Despite the nation's slow but steady recovery from the recession, jobs are not as plentiful as they could be, threatening the economic security and increasing the stress of families in need of work. Moreover, the modest progress that has been made on the jobs front is being jeopardized by the across-the-board automatic cuts known as the sequester. An analysis from the nonpartisan Congressional Budget Office found that implementing sequestration between mid-2013 and 2014 would cost the economy up to 1.6 million jobs.[40] Additionally, austerity is partially responsible for failures to pass proactive job creation legislation such as President Obama's proposed American Jobs Act, which would have generated new jobs by targeting critical needs such as rebuilding the nation's infrastructure or ensuring quality educational opportunities.

In addition to impacting jobs, budget cuts have weakened government-provided social services that strengthen families. Consider the following examples.

Maria Prince feeds her 1-year-old daughter Monica, in her home in Crofton, Md. Maria and her huband Barry receive Woman, Infants and Children (WIC) benefits.

ASSOCIATED PRESS/JACQUELINE MALONSON

The Special Supplemental Nutrition Program for Women, Infants, and Children, or WIC

WIC is a program that works with the mothers of young children, offering nutritious foods, breastfeeding and nutrition education, and health care referrals. Program evaluations demonstrate reductions in infant mortality and improved health and intellectual development in children.[41]

Budget cuts from the sequester and other measures will lead to approximately a $500 million reduction in funding for the program in 2013.[42] Moreover, looming budget cuts likely contributed to depressed participation levels, reduced staffing, and expanded the use of cost-saving measures such as reducing office hours and locations, which make it more difficult for women to access services.[43]

Child welfare services

The largest child welfare funding stream, Foster Care and Adoption Assistance, has been protected from sequestration and budget cuts. But other child welfare funding sources for programs aimed at protecting and supporting children have not been so lucky, experiencing the mandatory 5 percent cut applied to many government programs. The Title IV-B and Social Services Block Grant, or SSBG, programs are significant examples. Title IV-B funds efforts to prevent child abuse and neglect, to pay for adoptive services and foster care placements, and to help reunifying families who were previously separated by the child welfare system. The other program severely impacted by the automatic cuts, SSBG, is a flexible funding stream that allows states to provide a broad range of services to vulnerable individuals and families. Foster care, one of the most popular uses of SSBG dollars, is utilized in 35 states.[44]

Model child-protection efforts such as the differential response initiative are also being impacted by Congress's budget axe. Differential response allows child welfare agencies flexibility when dealing with families; rather than starting an adversarial investigation for low- or moderate-risk families, they can work collaboratively with parents, offering supportive services, including interventions that address problems stemming from poverty. Evidence demonstrates that differential response maintains child safety while decreasing child removals and subsequent reports of abuse and neglect.[45]

Housing

The Housing Choice Voucher Program, also known as Section 8, is the federal government's largest investment in affordable housing. By providing families with rent subsidies that they can use in the private rental market, the program promotes housing stability and reduces the stress families face when figuring out how to afford rent each month. The program also helps families avoid unnecessary separations. The best example of this is the Family Unification Program, which targets housing choice vouchers to families involved in the child welfare system when it is determined that housing is a significant factor that would either prevent a child's removal or promote reunification.[46]

Boston Tenant Coalition activist James Brooks, of Brighton, Mass., addresses a rally in front of the Boston headquarters of the U. S. Department of Housing and Urban Development

ASSOCIATED PRESS/ ROBERT SPENCER

Even prior to the recent austerity measures, the program underserved the needy, leaving families to linger on long waitlists in many communities. It is estimated that sequestration is resulting in a nationwide loss of 120,000 to 140,000 housing vouchers.[47]

Another crucial family-strengthening program pegged to housing is the Homelessness Prevention and Rapid Re-Housing Program. During its first year of operation in 2010, the program, which provides financial assistance to prevent individuals and families from becoming homeless and to rapidly re-house those who become homeless, helped nearly 700,000 people.[48] In fact, it likely helped prevent an overall increase in homelessness during one of our nation's worst economic recessions by strengthening families and preventing separations caused by homelessness. Initially included within the American Recovery and Reinvestment Act of 2009, the program's funds expired in 2012 and have not been replaced.

Home visits

The Maternal, Infant, and Early Childhood Home Visiting Program is another important federal tool meant to strengthen families. As a parenting program that engages in home visits by trained professionals such as nurses and social workers, it aims to improve child-development outcomes. One of the models funded by the home visiting program is the Nurse-Family Partnership, which has demonstrated an array of positive results, including improved prenatal health, prevention of child abuse and neglect, and improved school readiness.[49] Sequestration meant that expectations for expanding these vital services were reduced by $20 million.[50]

Criminal justice and reentry

More than half of the prison population consists of parents, meaning post-incarceration reentry policy is family policy.[51] The federal Second Chance Act, signed into law in 2008, aims to assist former offenders through a number of means, including providing employment assistance, improving substance-abuse services, supporting the use of effective alternatives to incarceration, and addressing the needs of children with incarcerated parents. The latter includes efforts geared to maintaining parent-child relationships when appropriate. Second Chance, similar to so many other government services, was subject to mandatory sequestration cuts, resulting in a loss of approximately $3 million to an already small program.[52]

Earlier this year, the U.S. Department of Justice announced that its agencies would no longer charge low-level, nonviolent drug offenders with offenses that come with severe mandatory minimum sentences. U.S. Attorney General Eric Holder pointed to factors that suggested that incarceration is too frequently warehousing people rather than deterring and rehabilitating them, likely making problems in low-income communities worse rather than better.[53] In general, the criminal justice and reentry policy space is characterized by a list of best practices that, when compared to imprisonment, are cheaper and improve public safety while also producing better results for low-incomes families. Ironically, tighter budgets in the wake of the Great Recession are expanding policy discussions that have already produced three consecutive years of prison-population declines and may produce even greater reductions in mass incarceration.[54]

Immigration

Over the past year, immigration reform continued to be an important issue of public debate, and its relevance to a family-strengthening agenda is clear. First, legal status, including a pathway to citizenship, reduces worker exploitation. It is estimated that legal status increases a worker's earnings by 15 percent and citizenship brings an additional 10 percent increase.[55] Greater economic security and a decreased fear of deportation means an increased ability to provide for one's family while reducing family stressors.

Our current immigration polices, however, are separating families via ramped-up detention and deportation efforts. Undocumented families must live under the constant fear and stress that one of their members will be picked up and physically taken away. The failure to significantly reform immigration laws means co-parenting couples are torn apart and children are traumatized by the loss of a parent. If they are fortunate, they remain with another parent or relative, but some children are placed in the care of strangers via the foster care system.

Over the past year, comprehensive immigration reform efforts overcame a major hurdle when the Senate passed S. 744, the Border Security, Economic Opportunity, and Immigration Modernization Act.[56] Legislation that directly addresses the family-separation issue—the Help Separated Families Act and Humane Enforcement and Legal Protections for Separated Children Act—was incorporated within S. 744. The entire immigration reform package is now stalled in the House.

Demonstrators march towards Capitol Hill during an immigration rally in Washington, seeking to push Republicans to hold a vote on a stalled immigration reform bill.

ASSOCIATED PRESS/JOSE LUIS MAGANA

Emery's story: *The new face of hunger in America*

Working since the age of 15, Emery, through no fault of his own, is unemployed and barely able to make ends meet. The former construction worker constantly juggles paying his bills and putting food on the table for him and his wife. He is ineligible for the federal benefits meant to keep people facing circumstances similar to his out of poverty. According to Emery:

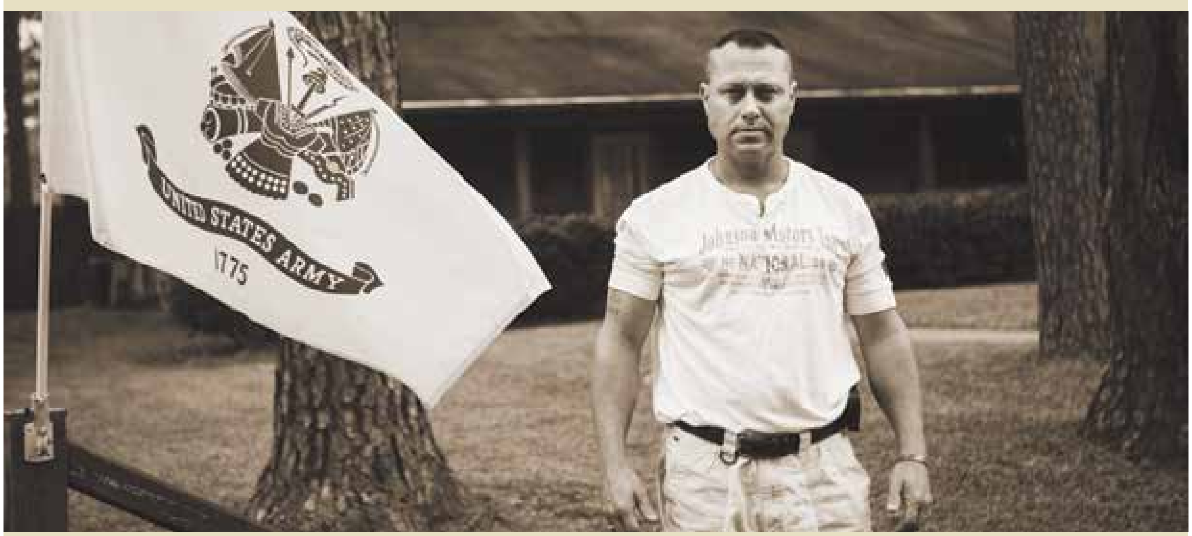
> *We were one of those couples that purchased the house we could afford, so we could have that slice of the American Dream: our own home. We didn't just jump into it blind—we had two stable incomes.*
>
> *I was working for a gentleman in home renovations and when his business was hit by the recession, he started paying me late. Then he just stopped paying me altogether. I had to quit the job to look for a new one that paid me for my work. I've been applying to jobs I'm qualified for, which have openings, but I've gotten no response. Being unemployed has cut our household income in half, and my wife and I have to make decisions every day on how to allocate what little money we have; are we going to eat or are we going to pay the light bill? We never lived extravagantly, but there are no luxuries now, no more vacations. We are fighting to hold on to what little we still have.*
>
> *For the first time in the six years since we bought our house, this is the first time that the mortgage wasn't paid on time. I had to borrow from one place to give to another. I pawned the title to my truck to supplement income. We don't qualify for mortgage assistance or food stamps. That's frustrating because you hear about all these programs to help people like us, but then they tell you you're not eligible. I'm not out to shirk my responsibility or take something that's not mine, but I just don't want to keep sliding further down. Choices have to be made. We've changed how we feed ourselves. I like fish a lot, but now we can't afford it. What we buy is limited to more processed*

foods. Last night for dinner, I ate some crackers and cheese and some kind of, shall we say, processed meat. There are many times that instead of making myself a salad, I'll have ramen noodles. Granted, ramen is full of sodium and other things that aren't good for you, but it's just basic sustenance and you can buy a case of them for a dollar and change.

It's a tough, tough time, and sometimes it feels insurmountable. I just re-enlisted in the National Guard to do right by my family. I mean, the military is one job that as far as I know is always going to be there. It gives us health insurance and a part-time steady income. My wife worries because I am scheduled to go to Afghanistan in 2015, but that could change.

I have been working ever since I was 15. To wake up and realize you are among the unemployed is a shock. But we will get through it. My wife and I are a team.

The fallout from the Great Recession overwhelmed millions of individuals and families and presented our country with serious short- and long-term challenges. Although the economy is on a steady uptick, people such as Emery will tell you many are still feeling the pain. The current reckless budget-cutting environment will not improve the situation for Emery and his family. We must invest in sound policies that will improve his family's economic security and restore shared prosperity.



Note: Half in Ten was referred to this story by the Jewish Council for Public Affairs.

Recommendations

Moving forward, policymakers must aim to strengthen families and reduce poverty on a number of different fronts. Over the past year, it has been quite clear that the list of national priorities should include funding for common-sense investments in programs that address family cohesiveness, family income, and parenting support, along with comprehensive immigration reform.

Funding for common-sense investments

At a minimum, Congress should reverse course on sequester cuts that diminish services for poor, working-class, and middle-class families. Moreover, rather than simply preventing more cuts, lawmakers should take a step further and target more dollars to areas where the need is great and results have already been demonstrated. Funding and investment is important to the following:

- **Jobs**. Maintaining adequate funding levels prevents unnecessary job losses that occur when the government reduces spending. It also allows for affirmative job creation legislation such as the previously proposed American Jobs Act.
- **Social services and benefits**. Strengthening families means ensuring greater access to helpful social services and public benefits such as parent education, foster care prevention and family reunification, housing, nutrition assistance, and reentry assistance. All of these necessary programs must be protected and put on a path toward sustainability and expansion so they can continue to help all families in need.
- **Innovation and evaluation.** Although many programs have demonstrated successes, some government dollars must be invested in exploring program innovations and conducting rigorous evaluations of services. It is through these trials that anti-poverty efforts can continue to develop and improve in ways that not only benefit families but that make the most cost-effective use of government resources.

It is often cheaper to invest in prevention efforts or anti-poverty services than to involve low-risk families in systems such as foster care, prisons, and homeless services. These less expensive tools tend to do a better job of strengthening families and preventing disruptions in family bonds. In good budgetary times and bad, it only makes sense to increase reliance on these measures for the well-being of families and government coffers.

Comprehensive immigration reform

Congress should pass comprehensive immigration reform legislation that, at a minimum, includes the following:

- An achievable pathway to citizenship for the more than 11 million undocumented immigrants currently residing in the United States

- Access to critical basic needs assistance such as SNAP (formerly known as food stamps) when needed and work-supporting tax credits such as the EITC[57]
- Protections from unnecessary family separations that take into consideration the best interests of the child and give discretion to immigration officers and judges to protect against harmful family separations
- A prioritization for alternatives to detention where possible; and when detention is necessary, there should be efforts to ensure that family unity is preserved

Such changes will increase the incomes and economic security of families while otherwise strengthening and keeping them together.

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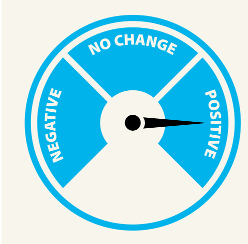
Indicators

13 CHILDREN LIVING APART FROM THEIR PARENTS

In 2012, 3.6 percent of children—about 2.6 million children—lived apart from both of their parents, about the same percentage as in 2011. As Figure a shows, most of these children—about 77 percent—lived with their grandparents or other relatives, while 17 percent lived with nonrelatives who were not foster parents, and the remaining 6 percent lived in foster care or other arrangements. Table b shows that slightly more than 241,254 children left foster care in 2012, with slightly more than half being reunified with their parents or primary caretakers. To improve outcomes for children living apart from their parents and to strengthen families, Congress should, at a minimum, reverse course on sequester cuts that have limited family services and take things a step further by increasing investments in areas where need is great and results have been demonstrated. It is generally less expensive and more effective to invest in prevention efforts and anti-poverty services than to involve low-risk families in high-cost institutional systems such as foster care and prison.

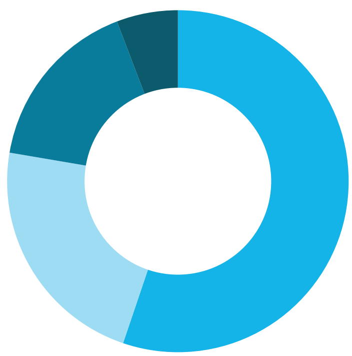


3.6%

OF CHILDREN IN THE UNITED STATES LIVED APART FROM BOTH OF THEIR PARENTS IN 2012

a Most children living apart from both parents live with grandparents

Living arrangements of children living apart from both parents, 2012



- Grandparents only
- Other relatives only
- Nonrelatives who are not foster parents
- Foster care and other arrangements

Source: U.S. Census Bureau, *America's Families and Living Arrangements: 2012* (U.S. Department of Commerce, 2012), table C-9, available at http://www.census.gov/hhes/families/data/cps2012.html.

b Half of children who exited foster care in 2012 reunited with parents

Outcomes for children who exited foster care during FY2012

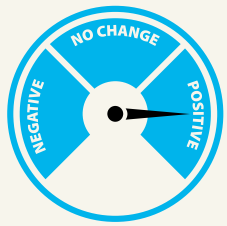
	Number of children	As percent of all children in foster care
Reunification with parent(s) or primary caretaker(s)	122,401	51%
Living with other relative(s)	19,671	8%
Adoption	51,229	21%
Emancipation	23,439	10%
Guardianship	16,424	7%
Transfer to another agency	4,256	2%
Runaway	1,216	1%
Death	328	0.1%
Total	**241,254**	**100%**

Source: Administration for Children and Families, *AFCARS Report #20* (U.S. Department of Health and Human Services, 2013).

14 BIRTH RATE FOR TEENAGERS

Teen birth rates reached another historic low in 2012, falling to 29.4 births per 1,000 women ages 15 to 19 from 31.3 births per 1,000 women in 2011. Since 2007, the teen birth rate has fallen by 29 percent, and over the past two decades, it has declined by more than half. As Figure a shows, declines in the teen birth rate have been steady for all racial and ethnic groups.

These declines are due in part to reductions in the percentage of teens that are sexually active, as well as increases in the percentage of sexually active teens that use contraception. To further reduce teen pregnancies, policies need to improve access to—and promote consistent use of—effective contraceptive methods by sexually active teenagers.

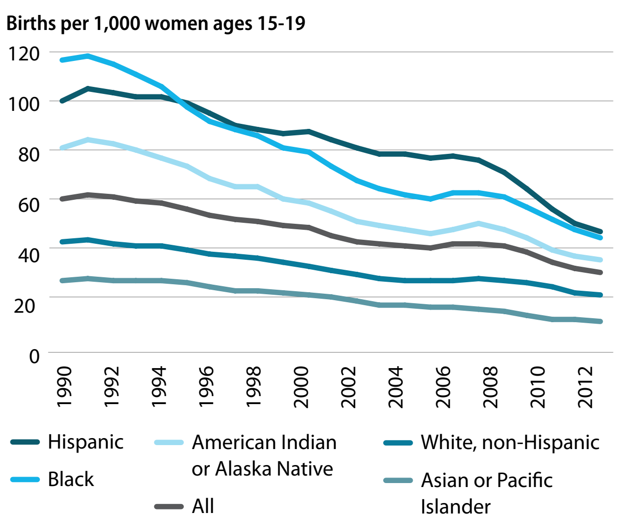


29.4

BIRTHS PER 1,000 WOMEN AGED 15 TO 19 IN 2012

a *Teen birth rate declined by more than 50 percent since 1990*

Teen birth rate, 1990–2012

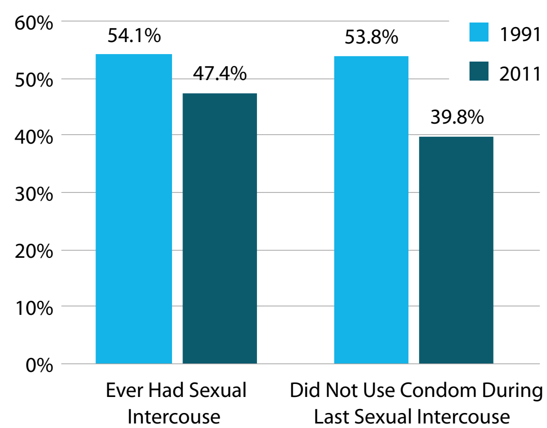


Source: Centers for Disease Control and Prevention, "National Vital Statistics System," available at http://www.cdc.gov/nchs/nvss.htm (last accessed October 2013).

Note: Data for 2012 are preliminary.

b *Compared to 1991, teens are less likely to be sexually active and more likely to use condoms*

Sexual activity and condom use among high school students, 1991 and 2011



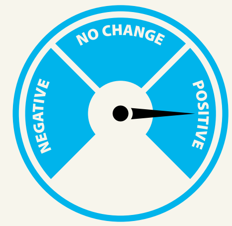
Source: Centers for Disease Control and Prevention, "Youth Online: High School YRBS," available at http://apps.nccd.cdc.gov/youthonline (last accessed September 2013).

Indicators

15 UNEMPLOYMENT IN FAMILIES WITH CHILDREN

This indicator measures the percentage of families with minor children that include at least one unemployed parent, spouse, or unmarried partner. In 2012, 10.1 percent of families with children had one or more unemployed parents, spouses, or opposite-sex partners, down from 12 percent in 2011. As Table 1 shows, this measure of unemployment covers three distinct types of families with children: married couples, opposite-sex unmarried couples, and single parents who are not living with a partner or spouse. Among the three family types, unmarried same-sex couples had the highest unemployment rate in 2012—19.2 percent—followed by single parents at 12.9 percent and then married couples at 7.9 percent.

Ideally, the unemployment rate for families with parents or partners would be at levels consistent with full employment. This indicator tracks the extent to which we are meeting this goal. As with unemployment generally, lowering unemployment in families with children will require lifting the job-killing sequester, making immediate investments in public infrastructure, creating transitional public jobs for youth and the most-disadvantaged workers, and instituting other policies that move us in the direction of full employment.

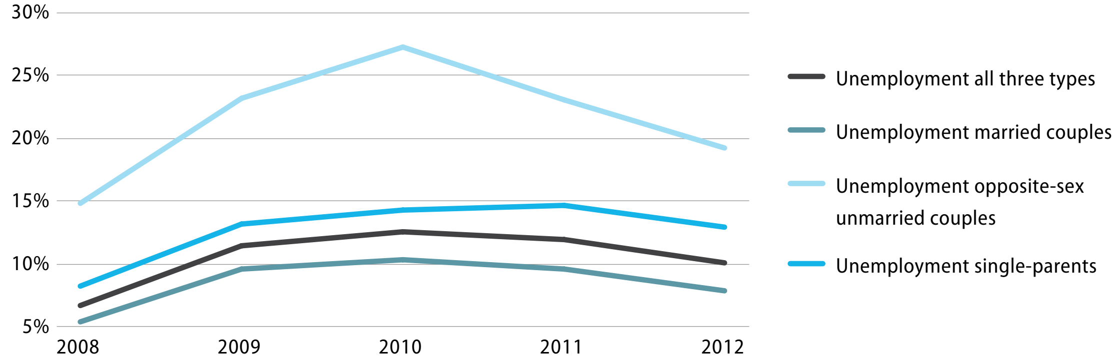


10.1%

OF FAMILIES WITH CHILDREN INCLUDED ONE OR MORE UNEMPLOYED PEOPLE IN 2012

a *The unemployment rate in families with children is declining but remains high, particularly for unmarried couples and single parents*

Family unemployment rates for families with children by type, 2008–2012



Source: U.S. Census Bureau, *Current Population Survey: America's Families and Living Arrangements* (U.S. Department of Commerce, 2013), detailed tables FG1, FG5, and UC3.

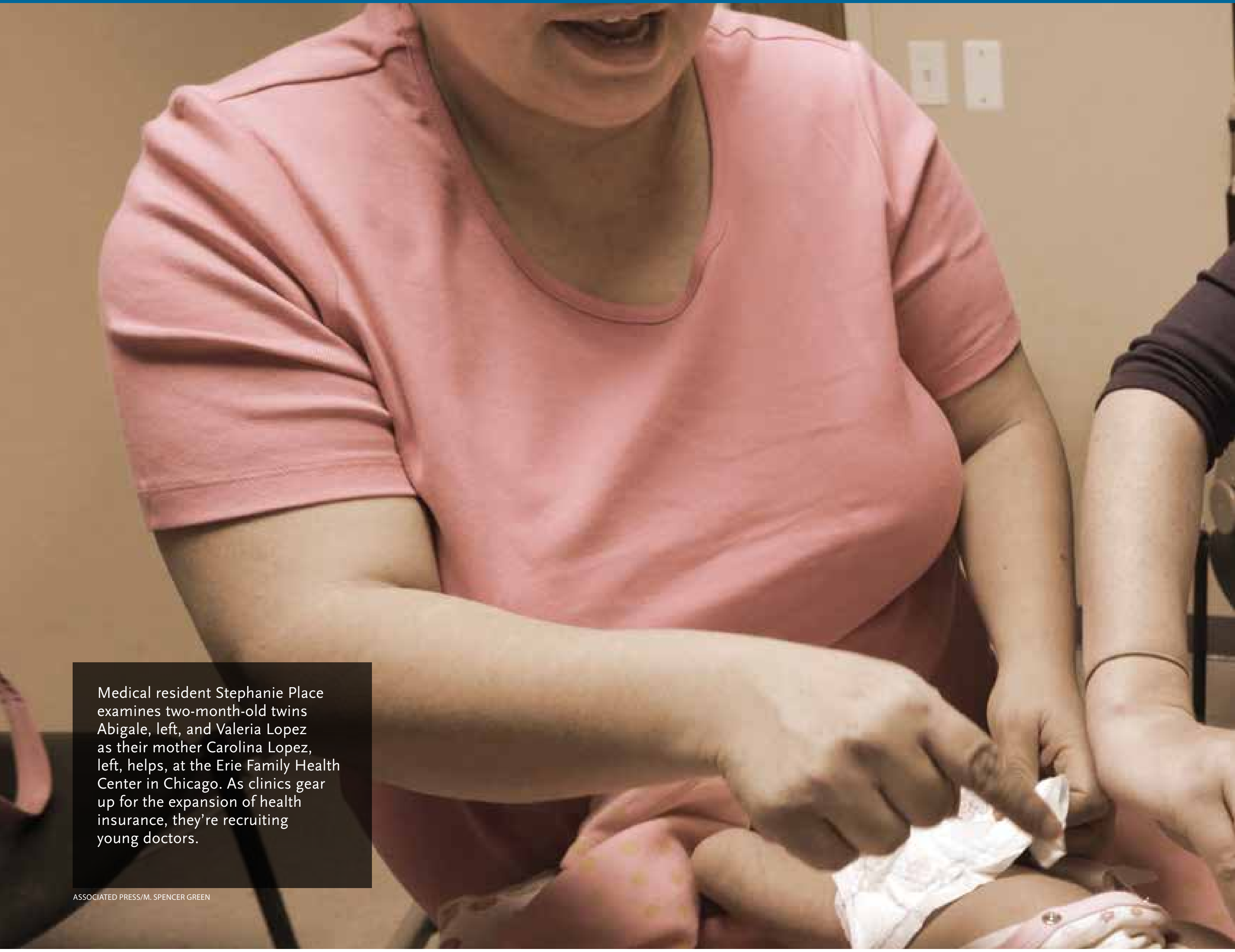
Note: A couple is considered unemployed if at least one of its members is in the labor force and unable to find work. Because of data limitations, we are not yet able to include same-sex unmarried couples with children, but we hope to be able to do so in future editions of this report.

CHAPTER FOUR

Family economic security

Creating the economic foundation families need to thrive

By Erik R. Stegman and Katie Wright



Medical resident Stephanie Place examines two-month-old twins Abigale, left, and Valeria Lopez as their mother Carolina Lopez, left, helps, at the Erie Family Health Center in Chicago. As clinics gear up for the expansion of health insurance, they're recruiting young doctors.

ASSOCIATED PRESS/M. SPENCER GREEN

Investments and sound public policy matter when it comes to improving family economic security. We know this because our country has come together to invest in our families in the past—and with great results. One such example of the power of investment was the dramatic drop in the rate of poverty among seniors in the 20th century thanks to Social Security. The official poverty rate for those above the age of 65 fell from 35 percent in 1959 to 10 percent in 1995.[1] *In 2012, the poverty rate for seniors was 9.1 percent.*[2] *This dramatic improvement in the lives of our seniors and their families came from significant increases in investments our country made in Social Security between 1967 and 2000.*[3]

Even though investments such as the ones we made in Social Security in the past have proven results for family economic security, some policymakers today have a very different mindset. Our nation's near myopic focus on deficit reduction has not been without consequence for economically vulnerable families. While history has shown that deficit reduction and poverty reduction are not inherently mutually exclusive goals,[4] *some policymakers in recent years have chosen to pursue a path that prioritizes deficit reduction at the expense of other urgent concerns, including job creation and needed investments in programs that help lift struggling families and children out of poverty.*

Our policymakers' concentration on deficit reduction above all else—and the dearth of political will to make critical investments in public programs that support family economic security—has meant that today more than 106 million people, or more than one out of every three Americans, are either in poverty or teetering on the brink.[5] Economically insecure Americans such as Michel, a single mother from Tulsa, Oklahoma (see textbox), are one lost job or one unforeseen health problem away from economic crisis. Such families face impossible choices that no one should ever have to make: whether to put food on the table, to keep the lights on, or to pay the rent.

Our nation's shortsighted policy decisions and the recent economic downturn hit women, children, communities of color, and people with disabilities particularly hard. African Americans and Latinos are more likely than other groups to be unemployed and living in poverty. Of those in the labor force, nearly one in eight African Americans and nearly 1 in 11 Latinos struggled with unemployment in 2013, compared to less than 1 in 14 of all people in the labor force.[6] Poverty rates among African Americans and Latinos are more than double[7] that of whites.

To make matters worse, automatic, across-the-board cuts to annually appropriated human-needs programs took effect in March 2013 as the result of Congress's inability to develop a balanced and fair deficit reduction plan. Low-income families are bearing the brunt of these disastrous and ill-conceived cuts, as public programs essential to family economic security—such as housing assistance, child care assistance, and more—have already seen cuts or are slated for cuts in the near future. By early 2014, the number of families receiving housing assistance could be cut by as much as 140,000.[8] Head Start, the federal early childhood learning, health, and nutrition program, already eliminated services to more than 57,000 low-income children because of sequestration.[9] Sequestration undermines the support systems that so many families need to climb the ladder of economic opportunity.

Thankfully, the news is not all bad. The country's fiscal outlook has improved considerably since 2010. A new report from Half in Ten's partner, the Center for American Progress,[10] reveals that since 2010, our nation has achieved $2.5 trillion in deficit reduction. Rising health care costs, which have a serious impact on our fiscal outlook, have also slowed. It would behoove U.S. policymakers who are caught up in the frenzy of deficit reduction to note that countries around the world have experimented with austerity—cutting spending in hopes of promoting economic growth—and those experiments have failed.

Even though the budget cuts since 2010 have improved our medium- and long-term fiscal outlook, they have also come at a cost. Current spending on discretionary programs will decline to the lowest level in modern history by 2017, measured as a share of GDP.[11] As an approach to deficit reduction, sequestration was the reckless option no one wanted because it slashed budgets across the board without consideration of the consequences. It is time for a new conversation. It is time to invest in family economic security again. The premise that deficit reduction should still be our nation's top priority no longer holds. Recklessly slashing these investments further only harms our future economic competitiveness. Our nation can choose to make smart budget choices and invest in family economic security while addressing very real deficit concerns at the same time.

In the past year, our nation has taken both steps forward and steps back when it comes to promoting family economic security. As the health insurance and food insecurity indicators reveal, investments in public programs that promote economic security, combined with smart public policy, pay off—for all of us. At the same time, indicators on housing assistance, child care assistance, and unemployment insurance reveal how our failure to invest in the supports that are vital to family economic security negatively impact low-income families and our economy. Finally, the latest data on asset poverty confirm the important role government can play in helping families to accumulate assets, an important ingredient in promoting family economic security.

Head Start children at the Cincinnati Community Action Agency learning their numbers

CINCINNATI COMMUNITY ACTION AGENCY

Michel's story: *Economic insecurity can jeopardize health and well-being*

Single working mother Michel is from Tulsa, Oklahoma, and knows firsthand the impossible choices that economically insecure families face. Not long ago, she found herself torn between paying out-of-pocket for a much-needed surgery to remove her gallbladder and providing for her children on the paltry income she received as a fast-food worker:

> *I worked for a fast food company, and so insurance was offered through the company, but I couldn't afford it. It would have been roughly 20 percent of my take-home pay. At the time, I was supporting three children by myself. Of course I had my normal bills, rent, care etcetera, and I brought home, if I was lucky, about $1,000 a month… I worked full-time five days a week, so I didn't have insurance or routine medical care. So if I had something arise, I took care of it by going to the emergency room. So I started getting sick, I actually was sick for quite some time. … I passed out at work, so they insisted that I go to the emergency room. This had been my fourth visit that month to the emergency room for these symptoms, so they finally did some blood work and found out that my liver enzymes were really high… It turned out that my gallbladder was full of stones… that it looked like it was going to burst.*
>
> *Since I didn't have insurance I couldn't have the procedure done. I couldn't have my gallbladder taken out or removed until it actually ruptured. They kept me in the hospital for two days, hoping that it would happen—which meant my children stayed in daycare for two days. It didn't happen, so I finally had to leave because I am a single parent and I had to get my children. So for the next year I continued to be ill because I didn't have the $2,000 that was required for the surgery since I didn't have the insurance.*[12]

Fortunately, Michel was able to secure a better-paying job with affordable health insurance as a nutrition team lead at her local Head Start program. As a result, she was able to get the gallbladder surgery she needed. But in the year she spent waiting for the surgery, she developed a number of other medical problems that she has thus far been able to manage thanks to her health insurance.

Investments in family economic security pay off

Health insurance coverage

As Michel's story reveals, access to affordable health insurance, or lack thereof, can make or break a family's finances and have consequences for family health and well-being. The most recent data from the Census Bureau's Supplemental Poverty Measure show that Michel is not alone in her struggle for health and economic security. Medical out-of-pocket costs pushed 10.6 million people into poverty in 2011.[13] In fact, more than one in five low-income, working-age adults have medical bills that they are unable to pay at all, a rate that is more than triple that of their higher-income counterparts.[14]

We have already seen the impact of smart public policy choices related to health and economic insecurity on real families and communities. The Patient Protection and Affordable Care Act, or ACA—the landmark health reform law passed in 2010—has helped our nation take major strides in helping struggling adults and families access affordable health insurance. In 2011, the percent of people without health insurance fell to 15.7 percent from 16.3 percent in 2010,[15] due in part to the early implementation of the provision permitting young adults to stay on their parents' health insurance plan until age 26.

In 2012, the percent of people without health insurance fell from 15.7 percent to 15.4 percent, although this was not a statistically significant change.[16] While this decline was not as notable as it was in 2011 when the young adult provision led to large decreases in the number of uninsured, it nearly brings us back to pre-Great Recession levels of uninsurance[17] and underscores the need to implement the rest of the health care law in order to have greater future impacts on this indicator.

Food insecurity

Food insecurity, or the inability of a household to access enough food, is yet another indicator driven by the public policy decisions made by our nation's leaders.

In recent years, we have seen the food insecurity rate stabilize despite high poverty and unemployment rates because of an increase in funding for the vital Supplemental Nutrition Assistance Program, or SNAP—formerly food stamps. As part of the American Recovery and Reinvestment Act of 2009, or ARRA, SNAP was able to expand to meet the need for nutrition assistance by facing low-income families in the wake of the Great Recession. Research on the effects of the ARRA increase in SNAP benefits reveals that the higher benefit level had a positive impact on child health.[18]

In 2012, the food insecurity rate remained virtually unchanged at the rate of 14.5 percent, down slightly from 14.9 percent in 2011, though the change is not considered to be statistically significant.[19] The food insecurity rate remains unacceptably high and reflects the fact that our economy is still weak. But the primary story behind this most recent batch of food insecurity data is the ongoing need for nutrition assistance and the importance of the SNAP program in helping hungry families and children.

In fiscal year 2012, SNAP provided more than 46 million low-income people with a subsidy to purchase approved food items in their communities.[20] The vast majority of SNAP participants are either children or elderly, and many recipients work.[21] Research shows SNAP to be efficient and effective,[22] and new data from the Census Bureau underscore the program's powerful anti-poverty effect. In 2012 alone, SNAP lifted 4 million people out of poverty.[23]

What's more, a new study reveals that short-term participation in SNAP is associated with a decrease in food insecurity.[24] Participating in SNAP for six months, for example, is associated with a 5 percentage- to 10 percentage-point decrease in food insecurity.[25]

Failure to invest in family economic security hurts families and the economy

Although we have seen some promising returns on our investments in health care and nutrition assistance, other indicators of family economic security highlight the damaging effects of a sustained and reckless budget-cutting environment. Our indicators on housing assistance, child care assistance, and unemployment insurance reveal a troubling downward trend in investment—one that leaves struggling families stuck in a cycle of challenges where real opportunity seems out of reach. Without reversing this trend, we harm these families at the time they need us most, while erecting further roadblocks to our current and future economic prosperity.[26]

Housing assistance

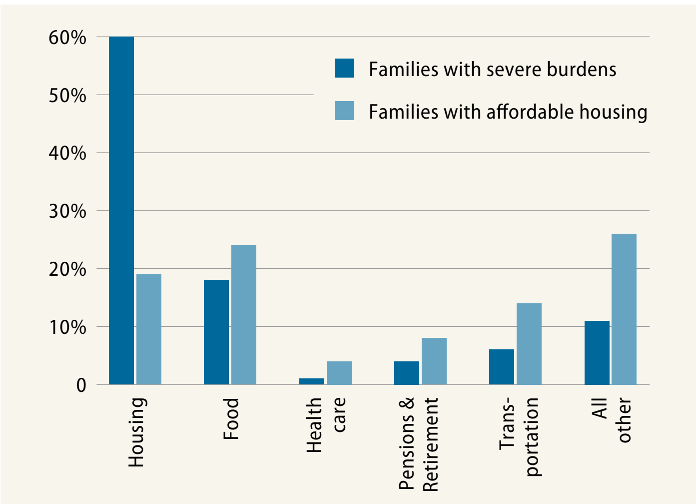
The Great Recession of 2007 to 2009 had its roots in the collapse of the U.S. housing market, and as the economy has slowly recovered, the landscape of housing has changed dramatically. It is an especially daunting landscape for low-income renters. In 2012, the number of rental households increasing by 1.1 million renters.[27] By comparison, the average annual growth during the 2000s was only half a million. The increase in demand has pushed the national rental-vacancy rate down, from 10.6 percent in 2009 to 8.7 percent in 2012.[28] Lower vacancy rates have pushed rents up. For example, between April 2012 to April 2013, the inflation rate for rental housing increased by 2.7 percent, compared to a 1.1 percent increase in inflation overall.[29]

It is in this context that the number of affordable and available rental units per 100 very low-income renters—those making at or below 50 percent of the area's median income—fell from 58 such rental units in 2010 to 57 in 2011.[30] In other words, there are only 57 rental units out of every 100 rental units on the market that are available for very low-income renters and require these renters to spend no more than 30 percent of their income on rent and utilities.

The cost burdens on families with very and extremely low incomes are severe. Extremely low-

Figure 1: Severe housing costs leave low-income families with less to spend on other expenses than those with affordable housing

SHARE OF AVERAGE MONTHLY EXPENDITURES FOR BOTTOM-QUARTILE FAMILIES WITH CHILDREN



Source: Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2013," (2013), chapter 6, p. 28, available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013_chap5_rental_housing.pdf.

income households are those making less than 30 percent of the area median income.[31] The National Low-Income Housing Coalition considers a renter household severely cost-burdened when they are spending more than half of their income on rent and utilities.[32] Nearly 11.2 million of this country's renters in 2011 fell into this category—24 percent with very low incomes, according to our indicator, and 68 percent with extremely low incomes.[33] Spending more than half of one's household income on housing costs comes with serious threats to economic security. It makes low-income renters struggle even more by reducing the resources available for economic and health emergencies and forces them to scale back on meeting other needs such as transportation and child care.[34]

The need to invest in affordable and available housing is clear. But despite the increased need over the past several years, especially in the wake of the Great Recession, policymakers have responded with reckless cuts when they should be investing. One very troubling area of disinvestment is in public housing. Since 2010, federal funding for public housing agencies has declined by a cumulative $3.4 billion for operation and maintenance in the face of a $26 billion backlog for repairs.[35] What's more, sequestration as part of the Budget Control Act is likely to reduce the number of households receiving federal rental assistance by as much as 140,000 families by early 2014.[36] As Congress continues to battle over crucial investments in our nation's future, they need to put housing back on their list of priorities. When families struggle to find an affordable home, their ability to meet their other needs is affected, which is a drag on our economic recovery.

Child care assistance

Another core component of family economic security is affordable and high-quality child care. Not only is child care crucial for parents to be able to seek and maintain employment, but it also supports early childhood development and makes our economy more competitive now and in the future.[37] Affordable, reliable child care directly impacts parents' ability to stay employed. One study found that 39 percent of single mothers of young children who received child care assistance were more likely to stay employed after two years compared to those who received no assistance.[38] This stability of income helps parents better support their children, making them more career ready in the future.

Child care, just like housing, unfortunately remains a high-cost burden for low-income families and one where our country's support is declining when we should be increasing our investment in it. Families in 27 states were worse off under one or more child care assistance policies in 2012 than they were in 2011, according to the National Women's Law Center.[39] The situation only improved for families in 17 states, but the improvements were marginal. This is the second year in a row when child care assistance policies were worse in more states than in states that showed improvement.[40]

Total federal funding for child care assistance has been on the decline for more than a decade, and these cuts persist at a time when the average annual fee for full-time child care ranges from $3,900 to $15,000.[41] When a family has a low income, such fees can become a significant cost burden. Families with incomes under 100 percent of poverty ($23,550 for a family of four) spend an average of 40 percent of their income on child care, compared to 7 percent for those with incomes at or above 200 percent of poverty ($47,000 for a family of four).[42] When this is combined with a similar or higher percentage of income spent on housing, struggling families are left with very little to make ends meet.

This decrease in child care funding is likely due in part to the expiration of a temporary $2 billion boost in funding under ARRA. Under the act, states had to expend these funds by September 2011.[43] There was a slight increase in regular funding for the Child Care and Development Fund, or CCDF, in FY 2011 and FY 2012, but it was not enough to cover inflation, let alone replace the extra recovery act funding. Furthermore, sequestration has taken an additional toll on child care assistance. Head Start programs, which serve as an important source of child care services for low-income families, eliminated services to 57,000 children as a result of sequestration.[44] When the funding is not adequate, states change their policies to make access to child care assistance more challenging. In 2012, 23 states had waiting lists or froze intake for child care assistance.[45]

Access to unemployment insurance by the unemployed

New data on the ability of unemployed workers to access unemployment insurance benefits reveal that it has become more difficult to receive benefits over the past year. In 2011, 56 percent of unemployed workers were able to receive benefits;[46] in 2012, this rate fell by more than one-eighth to only 48.8 percent.[47]

The sharp drop between 2011 and 2012 in this indicator partly reflects congressional action taken in February 2012 to reduce the maximum number of unemployment insurance benefit weeks available through the federal Emergency Unemployment Compensation, or EUC, program. The bill reduced the maximum number of benefit weeks from 53 weeks to 47 weeks, and for states with unemployment rates below 9 percent, the number of weeks was reduced even further to between 14 and 37 weeks, depending on the unemployment rate.[48]

The same bill also failed to keep the extended benefits program going in most states. The extended benefits program offers additional weeks of unemployment compensation to workers who have exhausted both their state-funded benefits and their EUC benefits in states with certain economic

Joe Ledesma comforts his 9-year-old daughter, Brehanna, outside a day shelter in Portland, Oregon. Ledesma, a homebuilder for 20 years, lost his job and as a result he and his family lost their home.

ASSOCIATED PRESS/DON RYAN

conditions. In recent years, states with a substantial increase in the unemployment rate over the past three years were able to offer more weeks of compensation to unemployed workers through the extended benefits program. In February 2012, Congress did not adjust the "three-year look back" window, which would have meant that today's unemployment rate could be compared to the state's pre-recession unemployment rate. As a result, almost every state in the nation had to wind down their extended benefits program.[49]

Financial assets are critical to ensure family economic security

A family's economic security also depends on their ability to make ends meet when a parent loses employment or when unexpected costs such as medical emergencies occur. This is why we examine asset poverty as one of our indicators. When a family does not 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, they are considered to be asset poor. For a family of four, having a net worth of less than $5,763 made them asset poor in 2012.[50] In 2010, the most recent year for which data are available, 26 percent of households were asset poor, down slightly from 27.1 percent the previous year. More importantly, this indicator rose 3.5 percentage points during the Great Recession from 2007 to 2010, pushing an additional 4 million families into asset poverty.[51] For the very lowest income quintile, asset poverty rose a staggering 11 percent during this period.[52]

Although this measure has improved slightly, it still has not made up for the effects of the Great Recession, and families still face a number of challenges to their ability to save. Stagnant and inadequate wages are the first and foremost of these challenges. Additionally, low-income families face serious abuses by predatory lenders—those who charge exorbitant rates to borrowers—due to their inability to access regular credit.

Poor families also struggle with asset limits placed on other programs from which they receive benefits by state administration agencies, such as SNAP and Temporary Assistance for Needy Families, or TANF. States develop certain thresholds for income and assets for families applying for these programs, many of which are unworkable for low-income families. Some restrictive states count even a modest working car as exceeding the asset limit. In California, for example, families are excluded from owning a car worth more than $4,650 when applying for CalWORKs, the state's short-term cash assistance program.[53] These policies leave families who are already struggling with no good option to try to get to work, bring their children to child care, and meet their other basic needs.

There have been signs of progress in other areas related to assets, however. At the beginning of 2013, Congress extended ARRA expansions to the Earned Income and Child Tax Credit programs through 2017.[55] Although these program extensions should have been made permanent, they provide working families with important financial support and improve their ability to save.

Melissa's Story

Restrictive asset limits force families to make difficult decisions: An example from California

Inflexible and restrictive asset limits force families to choose between bad options when they are already struggling to make ends meet. In California, for example, applicants for the CalWORKs program, a short-term income assistance program for families, are not allowed to own a car worth more than $4,650. A recent op-ed in the San Francisco Chronicle by Judy Darnell and Aleta Sprague highlights the real challenges faced by Melissa and her family when grappling with this unreasonable asset limit:

Melissa chose to sell her van - and spent the next three months attempting to prove it to the CalWORKs office. She fell behind on rent and couldn't take her children to the doctor. Finally, after providing both a statement from the dealership and a sworn affidavit, Melissa was found eligible for CalWORKs. But living without a vehicle posed immense challenges.

After missing an appointment at the CalWORKs office, which was located 36 miles away from where she lived, she was sanctioned and denied a month of assistance. Depressed, suicidal and jobless, Melissa lost her children to foster care.[54]

Recommendations

Expand access to affordable health insurance

One of the most important opportunities around the implementation of ACA is the option for states to expand Medicaid to cover uninsured adults up to 138 percent of the poverty line. If this option was fully implemented, 17 million Americans could gain health coverage.[56] As of September, 23 states and the District of Columbia have committed to expand Medicaid prior to 2014, and 27 states either oppose Medicaid expansion or have not made a clear move to expand.[57] In addition to receiving federal dollars to cover the full cost of expansion through 2016, states stand to gain tremendously from an economic standpoint by choosing to expand Medicaid.

In many states, Medicaid expansion would mean a reduction in costs incurred by hospitals that are providing care to uninsured patients, gains in business activity, and increased productivity—which would result in a net economic gain for states. In Texas, for example, every $1 spent under the Affordable Care Act would yield $1.29 in state revenue.[58] In addition to strengthening the state's economic position, Texas would transform the lives and bolster the economic security of nearly 2 million currently uninsured individuals who would be eligible for Medicaid under the expansion.[59]

Support local outreach efforts to educate and enroll families in affordable health insurance plans

In addition to expanding Medicaid under the Affordable Care Act, states should maximize economic security gains for families by supporting local outreach efforts to make sure eligible adults and families are aware of their health insurance options in the state exchange. In New York, the Direct Care Alliance Inc., which advocates for these workers, recognized the potential to strengthen family economic security among 2.7 million people, including more than 85,000 direct care workers—home care aides and personal care attendants. It launched a new initiative dedicated to ensure that low-income, uninsured workers have access to the information they need to get the benefits that are available to them under the Affordable Care Act.[60]

Fully fund and maintain SNAP's structural integrity

Given the ongoing importance of SNAP, it is critical that our policymakers protect the program's structural integrity and fully fund the program in the Farm Bill reauthorization and appropriations processes.

Organized by the Jewish Council for Public Affairs, a rabbi and a priest purchase food for the food stamp challenge, an attempt to live off the same budget as food stamp recipients.

JEWISH COUNCIL FOR PUBLIC AFFAIRS

SNAP is already expected to face cuts in November as the Recovery Act funding increase is set to expire.[61] As a result of this expiration, every SNAP household will see a benefit cut: SNAP benefits are expected to fall from an average of $1.47 per person per meal to $1.36 per person per meal without the Recovery Act funding boost.[62]

Efforts to inhibit SNAP's ability to respond to increased needs during economic downturns by altering its structure or by moving to further reduce benefits will make a challenging problem even more difficult for families.

Reduce the burden of housing costs on families by investing in housing assistance

The first thing Congress should do is immediately end sequestration. Next, it needs to invest in public housing, rental assistance vouchers, and funding for states and localities through the Community Development Block Grant. But Congress needs to go beyond damage control and take proactive steps to increase the supply of affordable housing. Congress can do this by funding the National Housing Trust Fund, which would provide permanent, dedicated funds for the production of affordable low-income rental housing and money for the rehabilitation, preservation, and operation of these homes.[63]

Finally, Congress should give states the flexibility to allocate federal tax credits to reduce housing costs for low-income renters through a new federal renters credit.[64]

Invest in early learning and make child care more affordable

It is time to change course and invest in affordable and quality child care. President Barack Obama has already shown leadership in his FY 2014 budget proposal, which calls for a comprehensive set of investments in early learning programs.[65] Congress should meet the president's call to action, while also replacing sequestration with responsible investments in the Child Care and Development Fund. Congress should also make the Child and Dependent Tax Credit refundable so that it benefits all low-income families raising children.[66] Improving these policies and fully funding vital programs will ensure that parents can find and keep employment and that children are adequately prepared to succeed in school.

Improve access to unemployment insurance by the unemployed

Going forward, Congress should seek both a longer look-back window and additional weeks of federal Emergency Unemployment Compensation to insure that jobless workers are able to access the financial support they need as they continue their search for work.

Eliminate asset tests and support stronger regulation of predatory lending practices

It is crucial that states eliminate or reduce the burden of asset-limit tests for assistance programs such as SNAP and TANF. These limits often force families to spend down their assets that provide a cushion for difficult times and sometimes force them to sell the motor vehicle they rely on for transportation to and from work. Further, disabled individuals trying to receive benefits through Supplemental Security Income, or SSI, face particularly antiquated asset limits that have not kept pace with inflation and living standards. This asset limit has only been increased once—in 1989.[67] Congress should increase this asset limit to keep pace with inflation and reduce unnecessary burdens on those with disabilities.

Additionally, the recently created Consumer Financial Protection Bureau, or CFPB, has made the issue of predatory lending a priority on their agenda with a pledge of stronger enforcement and expected policy proposals based on consumer complaints.[68] Congress should take a serious look at any of these forthcoming proposals.

Conclusion

It is time for the national conversation and our approach to policymaking to reflect the progress we have made in the deficit reduction arena over the past several years. It is time to invest in family economic security once again. We know that investments in family economic security are not just good for struggling families; they are also good for the economy, as we have seen with the recent progress on the health insurance indicator. On the other hand, reckless cuts to programs such as child care assistance, housing assistance, and unemployment insurance benefits rob vulnerable families of opportunity and hinder their ability to take part in our economic recovery.

It does not have to be this way. History shows us that when we have a strong economy, with equitably shared gains and strong public investments in programs that support economic security, we can cut poverty and strengthen family economic security.[69]

Now is the time to renew our commitment to family economic security. Such a commitment will not only help struggling families reach the middle class, but it will also be a major spark to jumpstart our economy.

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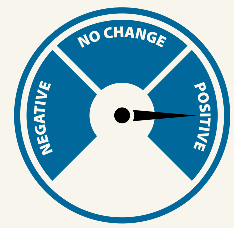
Indicators

16 HEALTH INSURANCE COVERAGE

The percentage of people without health insurance has gone down, falling from 15.7 percent in 2011 to 15.4 percent in 2012. Since 2010, the number of people without health insurance has decreased by 2 million, in part due to provisions in the Affordable Care Act that have increased coverage among young people. As the full law goes into effect in 2014, further improvements in this indicator are expected.

As Figure b shows, low-income nonelderly adults are much more likely than higher-income adults to be uninsured, fail to receive needed medical care, and have problems paying medical bills. States should ease these burdens by fully implementing the Affordable Care Act's option to expand Medicaid coverage to most uninsured people with incomes below 138 percent of the federal poverty line.

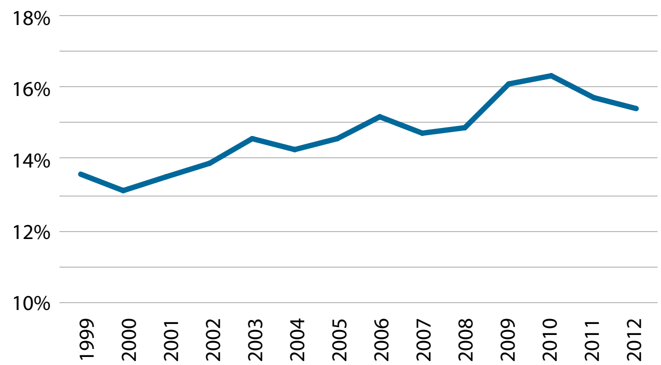


15.4%

OF AMERICANS DID NOT HAVE HEALTH INSURANCE AT ANY TIME DURING 2012

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

Percentage of people without health insurance, 1999–2012



b *Low-income adults are much more likely to face health hardships*

Among working-age low-income adults:

- **4 IN 10** are uninsured, more than twice as many as working-age adults at higher income levels.
- **1 IN 4** have not received needed medical care in the past 12 months because they cannot afford it.
- **1 IN 3** had problems paying medical bills in the past 12 months, twice the rate of higher-income adults.
- **1 IN 5** low-income nonelderly adults have medical bills that they are unable to pay, more than three times the rate of higher-income adults.

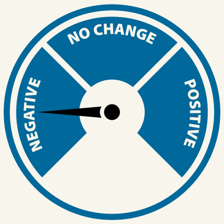
Source: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement* (U.S. Department of Commerce, 2013), historical health insurance table HIB-2, available at http://www.census.gov/hhes/www/hlthins/data/historical/HIB_tables.html.

Source: Centers for Disease Control and Prevention, *Health, United States*, 2011 (U.S. Department of Health and Human Services, 2012), tables 40 and 41, available at http://www.cdc.gov/nchs/data/hus/hus11.pdf; Centers for Disease Control and Prevention, *Financial Burden of Medical Care* (U.S. Department of Health and Human Services, 2012), available at http://www.cdc.gov/nchs/data/nhis/earlyrelease/financial_burden_of_medical_care_032012.pdf; Centers for Disease Control and Prevention, *Problems Paying Medical Bills* (U.S. Department of Health and Human Services, 2013), available at http://www.cdc.gov/nchs/data/nhis/earlyrelease/problems_paying_medical_bills_january_2011-june_2012.pdf.

17 AFFORDABLE CHILD CARE

This indicator measures 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, co-payments, reimbursement rates for providers, and the ineligibility of parents who are searching for employment. Families in 27 states were worse off in February 2012 than they were in February 2011 under one or more child care assistance policies, while families in 17 states were better off under one or more of these policies.

The negative trend is likely due in part to the exhaustion of the $2 billion boost in child care funding provided under the American Recovery and Reinvestment Act of 2009, combined with Congress's failure to increase regular child care funding sufficiently to keep pace with inflation. As Figure 1 shows, adjusted for inflation, federal funding for the Child Care and Development Fund was 16 percent lower in fiscal year 2013 than in fiscal year 2003. Congress should expand access to child care by replacing sequestration with responsible investments in the Child Care and Development Fund and by approving President Barack Obama's budget proposal for pre-K and other early learning programs.

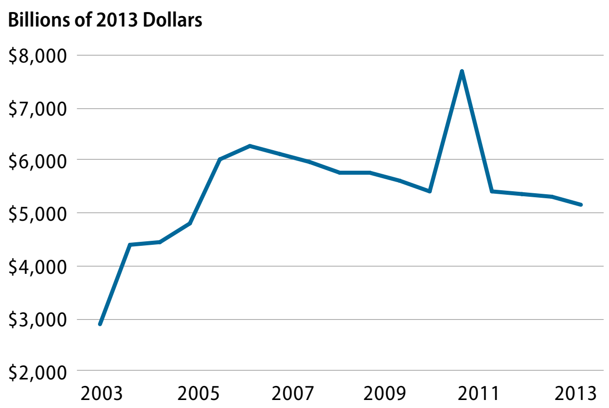


27

STATES WHERE FAMILIES WERE WORSE OFF UNDER ONE OR MORE CHILD CARE ASSISTANCE POLICIES IN 2012

a *Except for temporary funding increase in the Recovery Act, federal funding for child care assistance has steadily declined over the past decade*

Federal funding for the Child Care and Development Fund, FY 2003–2013, in billions of 2013 dollars



b *Since 2012, the number of child care workers has increased by more than one-third, but real wages have declined by 12 percent*

Median hourly wages and annual earnings of child care workers, 2002–2012, in 2012 dollars

	Median Wage ($2012)	Number of Workers
2002	$10.61	456,260
2012	$9.38	624,520
Change	-12%	37%

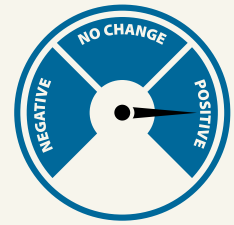
Source: From the U.S. Bureau of Labor Statistics' 2002 through 2012 National Occupational Employment Statistics, available at http://www.bls.gov/oes/tables.htm.

Indicators

18 FOOD INSECURITY

Food insecurity measures the share of total households that experienced difficulty at some time during the year providing enough food for all their members due to a lack of money or resources. In 2012, 14.5 percent of households—17.6 million households—were food insecure. The change in food insecurity between 2011 and 2012 was not statistically significant.

Although food insecurity increased during the first year of the recession, it has remained basically stable since then. This is likely due in large part to the effectiveness of the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps. Recent research found that in 2011 and 2012, SNAP contributed to reductions in food insecurity among families who obtained program benefits. Policymakers should reject proposals that would damage SNAP's responsiveness to economic conditions by radically altering its structure, as well as moves to further cut benefits.

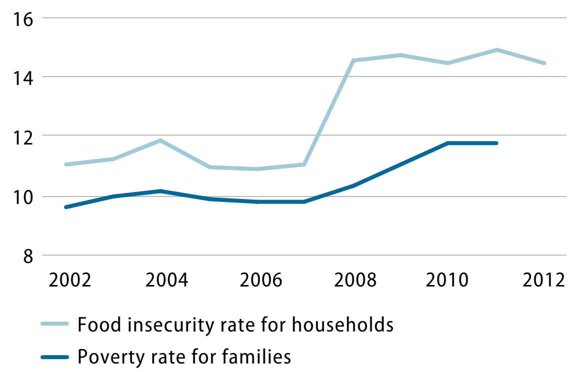


14.5%

OF HOUSEHOLDS WERE FOOD INSECURE IN 2012

a Poverty and food insecurity stabilize

Food-insecurity and poverty rates, 2002–2012



Sources: USDA, Current Population Survey Food Security Supplement Data and Census Bureau, Current Population Survey, annual social and economic supplements

b North Dakota and Mississippi are at opposite ends of the food-insecurity scale

Percentage of food-insecure households, top five highest and lowest states, 2010–2012

Highest	
MS	20.9%
AR	19.7%
TX	18.4%
AL	17.9%
NC	17.0%

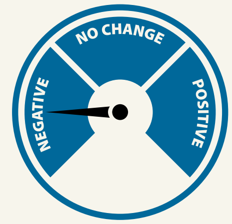
Lowest	
WI	11.2%
MN	10.6%
NH	9.9%
VA	9.2%
ND	8.7%

Source: Food Research and Action Center, "Prevalence of Household-Level Food Insecurity and Very Low Food Security by State 2010-2012 (Average)," September 4, 2013, available at http://frac.org/pdf/2013_09_04_usda_food_insecurity_bystate_2010_2012.pdf.

19 UNEMPLOYMENT INSURANCE COVERAGE

The share of unemployed workers who received unemployment compensation benefits—including extended and emergency benefits—fell from 56 percent in 2011 to 49 percent in 2012. The share of unemployed workers who received regular unemployment compensation fell to 26.4 percent, a historic low. The sharp drop in overall unemployment coverage between 2011 and 2012 reflects the decision Congress made in February 2012 to reduce the number of weeks of emergency benefits available through the federal Emergency Unemployment Compensation, or EUC, program, as well as its failure to update the look-back window in a way that would have allowed most states to continue to provide extended unemployment benefits.

Congress should seek both a longer look-back window for extended benefits and additional weeks of federal emergency unemployment compensation to insure that jobless workers are able to access the financial support they need as they continue their search for work.

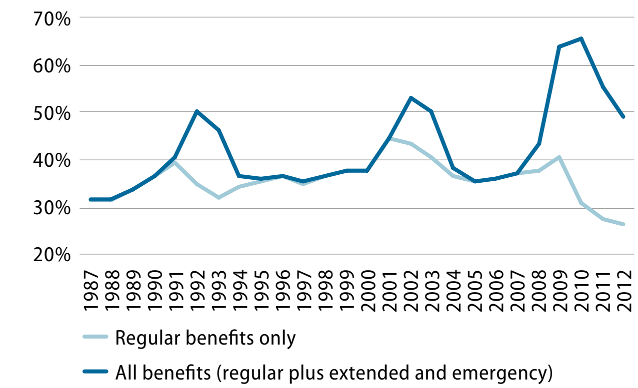


49%

OF UNEMPLOYED WORKERS WERE HELPED BY UNEMPLOYMENT INSURANCE IN 2012

a *The share of unemployed workers receiving unemployment benefits continues to fall*

Percent of unemployed workers receiving unemployment benefits, 1987–2012



Source: Author's calculations from U.S. Department of Labor, *Unemployment Insurance Data Summary: 4th Quarter 2012* (2012).

b *Unemployed workers are least likely to get help from unemployment insurance in South Dakota, most likely to get help in Alaska and Massachusetts*

Unemployment insurance statistics, top five highest and lowest states

Highest	
AK	85.62%
MA	70.06%
PA	69.20%
NJ	67.42%
WI	64.68%

US Average 48.75

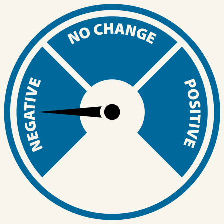
Lowest	
FL	33.53%
UT	32.77%
LA	32.59%
VA	30.10%
SD	18.63%

Source: U.S. Census Bureau, *The Research Supplemental Poverty Measure: 2011* (U.S. Department of Commerce, 2012).

Indicators

20 AFFORDABLE AND AVAILABLE HOUSING

There were only 57 affordable and available units per 100 renter households with very low incomes—below half of area median income—in 2011, the most recent year for which data are available, compared to 58 units in 2010. As Figure 1 and Table 1 show, the number of renters with "worst-case housing needs" continued to increase in 2011. Congress should reverse the across-the-board cuts in housing that are part of sequestration and increase investments in rental housing assistance and development.

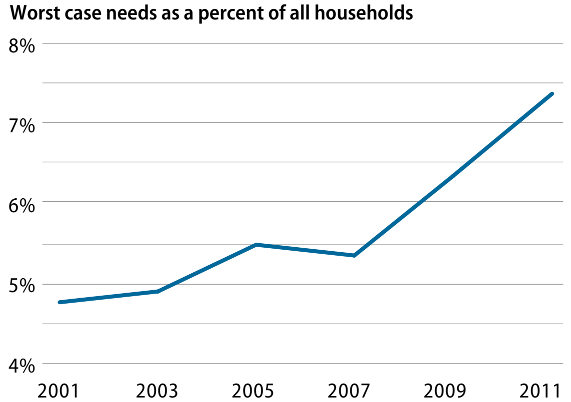


57

AFFORDABLE & AVAILABLE APARTMENTS (OR OTHER UNITS) FOR EVERY 100 RENTER HOUSEHOLDS WITHVERY-LOW INCOMES IN 2011

a *Share of households with "worst-case housing needs" continued to rise*

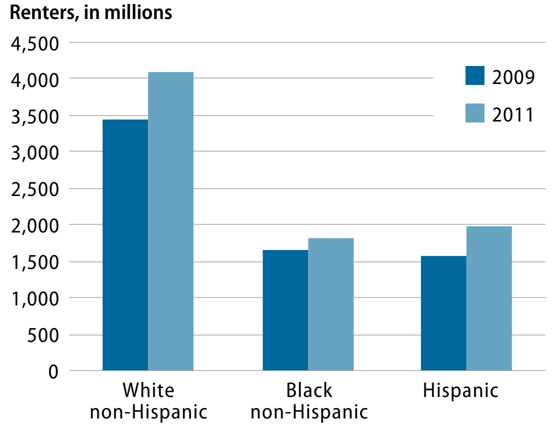
Share of all households that pay one-half or more of income for rent and utilities or live in severely substandard housing, 2001–2011



Source: Office of Policy Development and Research, *Worst Case Housing Needs 2011: Report to Congress* (U.S. Department of Housing and Urban Development, 2013).

b *The number of households with "worst-case needs" increased among all racial and ethnic groups*

Worst-case housing needs by race/ethnicity, 2009 and 2011

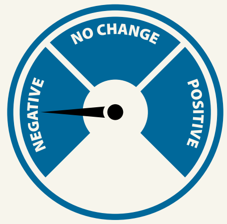


Source: Office of Policy Development and Research, *Worst Case Housing Needs 2011: Report to Congress* (U.S. Department of Housing and Urban Development, 2013).

21 ASSETS POVERTY

The asset poverty indicator measures the share of households whose total assets, including any home equity—minus their total liabilities—are less than three times the monthly federal poverty threshold—$5,580 in 2010, the most recent year for which data are available. As Figure 1 shows, the asset poverty rate rose during the recession. After peaking at 27.1 percent in 2009, it declined slightly to 26 percent in 2010.

Policies that would reduce asset poverty include strengthening consumer protections against predatory lending; eliminating or moderating rules that force families to reduce even modest asset holding in order to receive means-tested benefits; and keeping the costs of postsecondary education, homeownership, and other major investments affordable. Perhaps most importantly, low-income workers need a raise through policies that would increase the minimum wage, strengthen unions, and increase tax credits for low-wage workers.

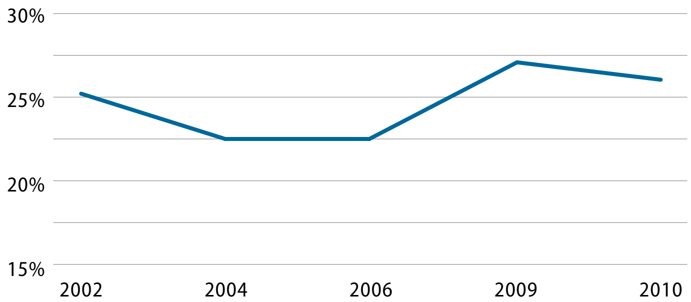


26

OF HOUSEHOLDS WERE "ASSET POOR" IN 2010

a *Asset poverty dipped slightly in 2010*

Asset poverty rate, 2002, 2004, 2006, 2009, 2010



Source: Corporation for Enterprise Development, "Change in Asset Poverty, 2002–2010," available at http://scorecard.assetsandopportunity.org/2013/measure/change-in-asset-poverty (last accessed October 2013).

Note: Data are not available for 2003, 2007, and 2008.

b *Share of households with negative and low net worth has increased*

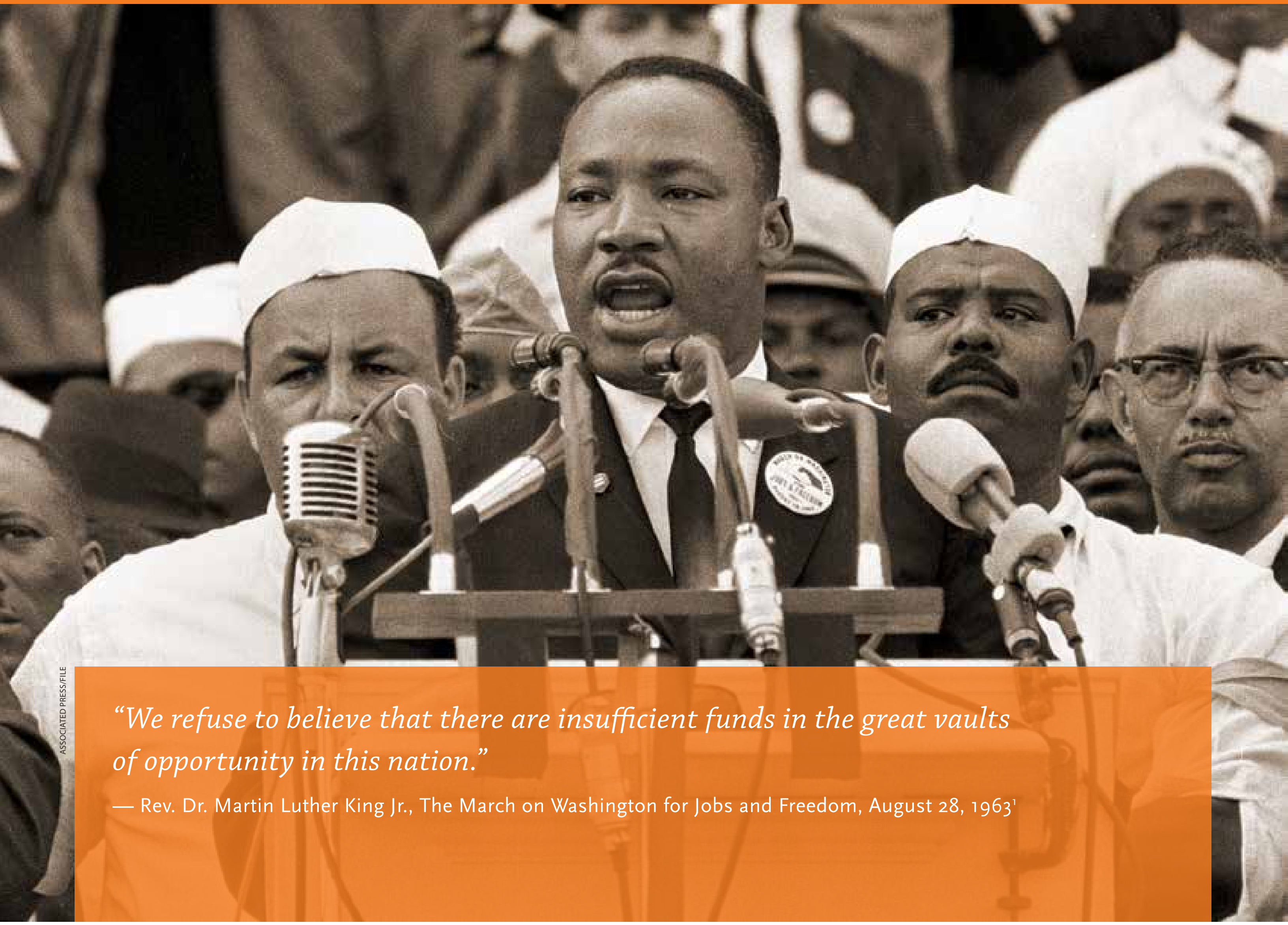
Median household wealth and share of households with zero or negative wealth, by race and ethnicity, 1983–2010

				Change	
	1983	2007	2010	1983–2007	2007–2010
Median net wealth (thousands of 2010 dollars)					
Black	$6.4	$9.7	$4.9	52.8%	-49.7%
Hispanic	—	9.6	1.3	—	-86.3
White	95.7	151.1	97.0	57.8	-35.8
Share of households with zero or negative net wealth					
Black	34.1%	33.4%	33.9%	-0.7	0.5
Hispanic	—	33.5	35.8	—	2.3
White	11.3	14.5	18.6	3.2	4.0

Source: Lawrence Mishel and others, "The State of Working America" 12th ed. (Washington: Economic Policy Institute, 2012), table 6.5, available at http://stateofworkingamerica.org/files/book/Chapter6-Wealth.pdf.

Conclusion: A call to action

By Neera Tanden, Deborah Weinstein, and Wade Henderson



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"We refuse to believe that there are insufficient funds in the great vaults of opportunity in this nation."

— Rev. Dr. Martin Luther King Jr., The March on Washington for Jobs and Freedom, August 28, 1963[1]

Fifty years ago, Dr. Martin Luther King Jr. spoke of his dream for the future of America as a land of opportunity for all. He gave a voice to Americans' pain, suffering, and frustration—but also to their hope for a better future. Dr. King knew that as a wealthy nation, America could make good on its promise of greater prosperity for generations to come, but only if it could offer equal opportunity to everyone, no matter where they were born or the color of their skin.

Only months after Dr. King's iconic speech at the March on Washington, President Lyndon B. Johnson made his own call to action during his 1964 State of the Union address, asking the American people to join him in a new commitment to seriously tackle poverty.[3]

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"Unfortunately many Americans live on the outskirts of hope—some because of their poverty, and some because of their color, and all too many because of both. Our task is to help replace their despair with opportunity."

— President Lyndon B. Johnson, State of the Union address, January 8, 1964[2]

The pillars of economic growth, family security, and inclusiveness have always been at the core of the civil and human rights movement. The March on Washington raised important questions, pushed for sweeping policy changes, and offered a vision of the United States that was free of both racial and economic inequality. In declaring war on poverty, President Johnson emphasized that poverty was a national problem that demanded a national solution, and he made it clear that the federal government had a unique responsibility and role to put policies in place that improved the lives of struggling families. Today, there remains no greater priority for our nation than to ensure that every person in the United States benefits from the shared prosperity that is central to the American Dream.

In his address in August during the "Let Freedom Ring" commemoration of the 50th anniversary of the March on Washington, President Barack Obama spoke of the unfinished business of Dr. King's vision for an America that promises equal opportunity for all:

> Dr. King explained that the goals of African Americans were identical to working people of all races: "Decent wages, fair working conditions, livable housing, old-age security, health and welfare measures, conditions in which families can grow, have education for their children, and respect in the community."
>
> What King was describing has been the dream of every American. It's what's lured for centuries new arrivals to our shores. And it's along this second dimension—of economic opportunity, the chance through honest toil to advance one's station in life—where the goals of 50 years ago have fallen most short.[4]

To compete in the 21st century, we must be a nation that creates good jobs, strengthens families and communities, and promotes economic security. When large portions of our population fall behind, our entire nation suffers, our collective prospects for the future are diminished, and the promise of America as the land of equal opportunity becomes harder to fulfill.

Unfortunately, it has been a long time since the needs, hopes, and dreams of those at the bottom of the economic spectrum have held a prominent place in our national dialogue. More than 106 million people, or one in three Americans, are either in poverty or teetering on the brink.[5] We cannot and will not accept that there is nothing our government can do to address persistent poverty, a job market that is not growing fast enough, and too many jobs that are not paying a living wage. Much has been done to alleviate poverty in the past, and much more can be done now.

One effect of the sequester is that state governments are forced to prioritize cutting some services over others. As first grade teacher Lynda Jensen teaches her class of 30 children in San Jose, California, she worries education will be a target.

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While history shows that the goals of deficit reduction and poverty reduction are not inherently mutually exclusive, some congressional leaders have chosen to pursue a path in recent years that prioritizes deficit reduction at the expense of other key priorities, particularly job creation, boosting wages, and making needed investments in programs that help struggling families and children rise out of poverty. The current Congress has effectively applied the brakes to the labor market by failing to take action needed to boost job creation and by refusing to cancel the so-called sequester—the automatic, across-the-board spending cuts that target the areas of the budget that fund human-needs programs and took effect in March.

Low-income families are bearing the brunt of the sequester cuts, as public programs essential to family economic security—such as housing assistance and child care assistance—have already seen cuts or are slated for cuts in the near future. Sequestration is predicted to reduce gross domestic product, or GDP, growth from 2.6 percent to 2 percent during 2013 alone.[6] It is cutting jobs, shutting down essential services, and hurting state economies at a time when low- to middle-income families most need to establish solid economic footing. In contrast, lifting these cuts would prevent the loss of nearly 1 million more jobs by the third quarter of 2014.[7]

With the medium- and long-term fiscal outlook far improved since the years directly after the Great Recession,[8] it is time to change course in our national conversation and to again focus on investing in our economy and families. First and foremost, we must invest in job creation. We can do this by ending sequestration, investing in the infrastructure needed for a 21st century economy, and supporting transitional jobs programs as proposed by the president in his Pathways Back to Work proposal.[9] Second, we need to improve wages by increasing the minimum wage and strengthening collective bargaining for workers. Third, we need to improve the ability for workers to be both breadwinners and caregivers by improving access to quality, affordable child care and paid sick leave. We must fully implement the provisions of the Affordable Care Act so that everyone can have access to quality, affordable health coverage.

Finally, when the economy fails families by not providing enough jobs—especially jobs that pay a living wage—we must strengthen the programs that support families when they struggle. We should extend the Earned Income Tax Credit to young people and increase the value for adults who do not have children. We should also transform the Temporary Assistance for Needy Families block grant into an effective unemployment and job-search assistance program.

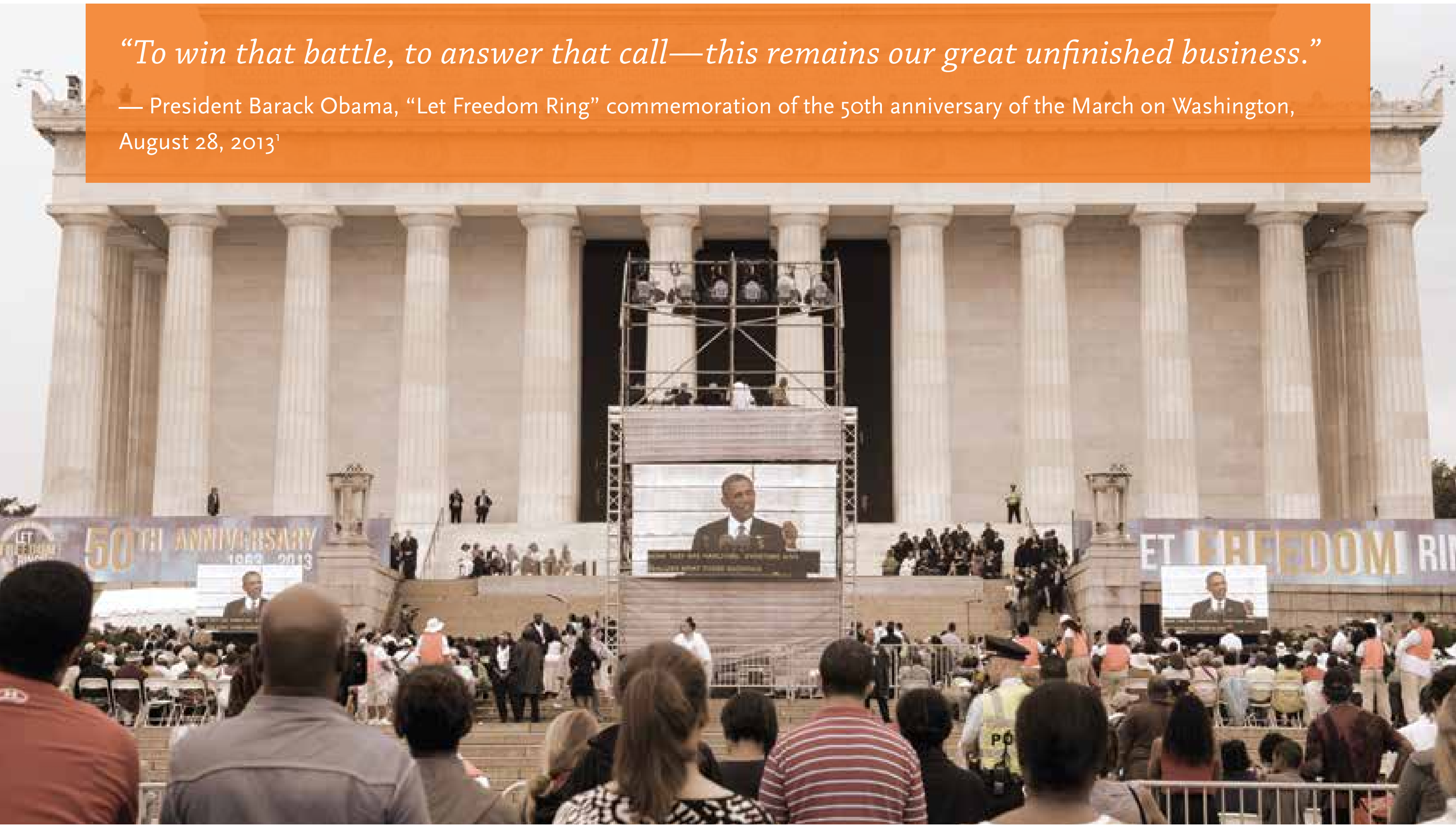
Tax cuts for the most-advantaged Americans, weakened labor protections for workers, and sharp reductions in investments in skills training have fed a gap between productivity and compensation that has resulted in a shrinking middle class and rising income inequality. The investments we need in our economy and the programs that support struggling families should not be sacrificed to preserve tax breaks for wealthy corporations and the richest two percent of Americans. To reduce poverty and inequality over the next decade, while also reducing the federal budget deficit over the long term, we will need to invest more and in a fiscally responsible way. We will also need to make our tax system more progressive—and do so in a manner that raises more revenues to meet the nation's pressing needs and promotes more broadly shared prosperity.

Shared prosperity remains America's unfinished business, and it will take investment in the workforce to change the current trend of increasing inequity. In the face of similar challenges in the past, policymakers have acted decisively to strengthen the economic recovery. This is why the 50th anniversary of the War on Poverty in January 2014 is an important opportunity to reflect on the progress we have made since that milestone year, as well as to set out a vision of how we can move more families toward prosperity in the next 50 years.

It is time to put people back to work and usher in the next era of American prosperity. 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. This is what we need to propel the economic recovery forward and to set the nation on a path toward shared prosperity for all. They were part of President Johnson's call for a national commitment to cut poverty during the War on Poverty, they were part of Dr. King's dream, and they are part of the American Dream. We refuse to settle for less.

"To win that battle, to answer that call—this remains our great unfinished business."

— President Barack Obama, "Let Freedom Ring" commemoration of the 50th anniversary of the March on Washington, August 28, 2013[1]



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Endnotes

1 Dr. Martin Luther King Jr., "I Have a Dream" (1963), available at http://www.archives.gov/press/exhibits/dream-speech.pdf.

2 President Lyndon B. Johnson, "State of the Union Address" (1964), available at http://www.pbs.org/wgbh/americanexperience/features/primary-resources/lbj-union64/.

3 Ibid.

4 President Barack Obama, "Remarks by the President at the 'Let Freedom Ring' Ceremony Commemorating the 50th Anniversary of the March on Washington" (2013), available at http://www.whitehouse.gov/photos-and-video/video/2013/08/28/president-obama-marks-50th-anniversary-march-washington#transcript.

5 U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2012* (U.S. Department of Commerce, 2013), table 5, p. 18.

6 Macroeconomic Advisors, "MA's Alternative Scenario: March 1 Sequestration," The Blog of Macroeconomic Advisers LLC, February 19, 2013, available at http://macroadvisers.blogspot.com/2013/02/mas-alternative-scenario-march-1_19.html.

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10 President Obama, "Remarks by the President at the 'Let Freedom Ring' Ceremony."

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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.

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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.

Center for American Progress Action Fund

The Leadership Conference

Coalition on Human Needs

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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