High Priority Poverty Reduction Strategies for the Next Decade

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In the midst of America's riches, too many families still struggle for economic survival. The poor in American cut across all groups, but are disproportionately represented by single mothers and their children, by persons of color, by immigrants, by less-skilled individuals, or by those with physical or mental disabilities. Many working poor and near-poor families face problems with low wages or unstable jobs. This paper outlines three strategic areas where policy and research attention should focus over the next decade. These are areas where we need to understand more about the problems and the possible strategies that can help increase income, alleviate economic suffering, or improve children's long-term opportunities. Throughout this paper, I use the word 'policy' in a broad sense, to refer to public actions that can be taken by state, local or national government, or to the actions of community-based or religious organizations.

I choose to focus on three areas that are defined by the type of anti-poverty strategies that they encompass. In each of these areas, there are important cross-cutting issues that deal with race, ethnicity or citizenship, gender, disability, or age-specific concerns. This paper is too brief to discuss how these particular subgroups are affected in each policy area, but such an analysis would be important for a more complete policy discussion. While this paper focuses on the issue of poverty, I should also note that action in these strategic areas would substantially benefit both poor and near-poor families. With the poverty line at $20,400 for a family of four, many near-poor families also struggle to make ends meet.

In all of the areas identified below, there are multiple groups working on various agendas, from educational reform to tax reform. Mott will want to focus on a selected set of issues where they can leverage their resources in the most effective way. For each

topic, I suggest a few specific policy issues that I think are highly important and where grant-making activities within the Pathways Out of Poverty group at Mott could help advance the agenda.

Policy Strategy I. Incentivizing and Supporting Low-wage Work

Work and earnings must be at the center of any anti-poverty strategy. Only through economic self-sufficiency can an individual permanently escape poverty. Over the past two decades, the United States has created a set of supports for low-income families with children that are conditioned on work, making the U.S. public assistance system more of a work-support system than a cash-support system. These policy changes are not fully adequate even for the families for whom they are available, however, and there are many families (such as low-wage adults who are not raising children) who cannot benefit from them.

The national and state welfare reforms of the mid-1990s firmly established work as the goal of many public assistance programs. The Federal block grant that funds cash support programs for families with children, Temporary Assistance to Needy Families (TANF), requires states to move a high share of recipients (primarily single mothers) into employment or work preparation programs. The tax system provides substantial supplementation to low-wage parents in low-income families through the Earned Income Tax Credit (EITC) program.

One effect of these changes was to increase the number of working poor families. While some single parents were able to leave poverty permanently as a result of the welfare-to-work efforts, others are employed in low-wage and unstable jobs and cannot

steadily support their families only through their own earnings. Many of these women continue to receive Food Stamps, for instance. Ongoing efforts at expanded child support have tried to increase help from nonresident fathers. But many of these women face ongoing economic distress.

I suggest three specific policy areas where new research, demonstration projects, policy design, and political attention might be usefully focused to increase support for low-wage workers:

First, a primary concern for many single working mothers is *child care availability and affordability*. While the subsidies for child care have greatly expanded, finding acceptable and stable child care remains a major problem for many women who have left welfare for work. Many women lose jobs or leave jobs when their child care arrangements fall through. Many states have more limited dollars for child care subsidies than are needed. And even women who receive subsidies often complain that care is not available outside 9 to 5 work hours, or is not convenient to their work. It is important to continue to search for new ways to expand child care support and to provide safe, well-run child care options for women who work in low-skilled (and often variable-hour) jobs.

Second, while welfare-to-work efforts have been successful are raising labor force participation by less-skilled single mothers with children, *labor force participation among less-skilled men*, especially men of color, has fallen steadily for two decades. Many of these men are fathers, but do not live with their children and are not eligible for many of the work supplements that are available to adults who live in families with children. Yet, these men are important, both economically and psychologically, in the lives of their children, girlfriends, and other family members. Furthermore, many of

these men become involved in the worlds of crime and drugs when they are not steadily employed.

One of the primary reasons why work has fallen among these men is that the wages available to less-skilled men are lower now than 25 years ago, due to changes in the macroeconomy that reduced demand in the blue-collar manufacturing jobs that many less-skilled men filled in the past. This has created a political choice between subsidizing employment among these men or accepting the social disruption that occurs when a growing share of prime-age men are no longer stably employed. For this reason, many policy analysts are calling for an expansion in the EITC to workers without children in their household, as a way to incentivize work among the growing group less-skilled men who have become less connected to the labor market.

These problems may be most severe among those *men are released from prison* who return to their communities and seek employment. Over the past two decades, we have imprisoned a growing share of less-skilled young men, particularly young men of color. The Pew Foundation recently estimated that 1 out of every 100 adult Americans are now in prison; the numbers are much higher among African American and Hispanic males. When these men leave prison, their employment options are limited. Finding ways to reintegrate these men back into the community and into stable employment is important for their own economic well-being and for their families and children, and will also help to reduce recidivism rates and the high costs of further imprisonment.

Finally, among all less-skilled workers, there are ongoing problems caused by the *lack of health insurance in most low-wage jobs*. Health disruptions by adults or their children regularly lead to job loss. Many lower-income adults receive inadequate

medical assistance with treatable health problems because they do not receive regular medical care. When low-income families acquire medical debt, this can complicate their already difficult economic situations. There are a wide variety of proposals to expand health care coverage and health services for poor adults and children Understanding the effectiveness and costs of different approaches is increasingly important as health care reform is debated at the national and state level.

Within the United States, it is expected that able-bodied adults will work to support themselves and their children. To demand work as a pre-condition for support, however, requires that we 'make work pay,' to use the phrase from former President Clinton. If mothers are to work, this requires that they have access to affordable and acceptable child care. If less-skilled men are to increase their involvement in mainstream employment, this will require that they have jobs that pay adequate wages. In all cases, this requires that macroeconomic policies that assure jobs are available to less-skilled workers who seek them.

Policy Strategy II. Assuring the Presence of an Effective Safety Net

Not all adults can or should be expected to work. Recognizing this, we provide support to elderly adults or those with serious physical or mental disabilities. Much of the policy discussion over the past decade, however, has focused on moving more people into work. It is time to return to a conversation about the appropriate size and structure of the safety net for those who are unable to hold stable employment.

While many women left welfare and went to work in the reforms of the 1990s, there is a growing share of less-educated single mothers who report they are not on

welfare and are not working. Over 20 percent of single mothers with low levels of education report themselves as economically 'disconnected' – without earnings and without cash welfare. The research suggests that many of these women have multiple barriers to work, including such problems as mental or physical health problems (particularly depression), a past or current history of domestic violence or sexual abuse; problems with substance abuse; limitations in cognitive functioning; undiagnosed learning disabilities that make employment-related tasks difficult; care responsibilities for a child or other relative with serious physical or mental health problems; or care responsibilities for very young children. While many of these women work irregularly, they appear to have difficulty keep stable or full-time employment. They report very low incomes for themselves and their children.

This is the group who appears to have been most disadvantaged by the welfare-to-work reforms. A disproportionate number of them left welfare because they hit time limits or were sanctioned off welfare (i.e., did not obey the 'rules' within the welfare system, almost surely for some of the same reasons that prevent them from holding stable work.) They appear to be in deep poverty, without access to a cash-support safety net. This leaves the children in these families vulnerable, and at high risk of repeating the same cycle of long-term poverty in their own lives.

I suggest three specific policy areas where new research, demonstration projects, policy design, and political attention might be usefully focused on a more effective safety net:

First, it is important to find ways to balance work requirements with the *need for ongoing support to those who cannot work in the short run*. Some have suggested a more

expanded and partial disability system; others have suggested ongoing cash support to women who prove themselves simply unable to hold a steady job. Recognizing this problem, a number of states are working to develop programs aimed at identifying and assisting this highly disadvantaged population. Demonstration projects and innovative policy efforts to reach this population are worth pursuing.

Second, even those who can and do work steadily may sometimes lose their jobs for reasons outside their control. Particularly in a time of rising unemployment, it is important to *support the unemployed* while they search for new work. This is traditionally done through the Unemployment Insurance (UI) system. The effectiveness of the UI system has declined in recent decades, however. Today, less than 40% of the unemployed receive unemployment assistance. Many lower-wage workers who lose jobs are ineligible because their job has not lasted long enough, or they have not worked enough hours.

We live in a market economy, which experiences regular economic disruptions as business fail, jobs change, or macroeconomic cycles create job loss. Providing temporary assistance to the workers who are caught by these economic changes can help workers search for the next job without major family disruptions. Reforms and changes to the UI system or to related programs (such as trade adjustment assistance) can create a more reliable safety net for job losers.

Third, the elderly have seen steady economic progress, because of expanded Social Security benefits and the expanded availability of pension and retirement savings plans. Yet, there remain a group of very *poor elderly persons*, particularly older widows who lose their husband's pension at his death. We are in the midst of a debate over how

to reform the Social Security program to put it on a long-term stable economic basis. Social Security has been very important to the economic well-being of America's elderly; indeed 65% of elderly Social Security recipients report that it is their primary source of income. Any reform discussion must pay attention to the need to provide adequate benefits to lower-wage workers whose own savings might be quite limited.

It would be useful to engage in broad thinking about the appropriate role of a safety net for non-working adults, and how to design a safety net that encourages work yet still provides coverage for those who need it. While many adults can and should work, those who cannot find stable employment – particularly when they are caretakers for children – should be able to call upon assistance.

Policy Strategy III. Improving Children's Opportunities

Reducing poverty in the long run will require that today's poor children have opportunities that their parents did not have. There are many groups working on policies designed to reform low-performing public schools and to improve the education that children receive. This is obviously a very important topic and one worthy of resources and attention, but I will focus this discussion on child-related issues that exist outside of the school and classroom reform conversation.

Children are disproportionately likely to be poor in America, in part because many of them live in single-parent families with limited incomes. Poverty rates among African American children are at 33%; among Hispanic children, they are at 27%. A substantial body of evidence suggests that growing up in poverty means attending poorer schools; experiencing more health-related problems; and being at much higher risk of

becoming pregnant as a teen, dropping out of school, or engaging in criminal behavior and being caught by the criminal justice system.

A growing research literature has focused on children's development prior to age five, indicating the importance of good nutrition, a stable and loving family, as well as early educational stimulation (such as being read to by parents). Policies aimed at these younger children tend to be quite limited; public policy has largely shied away from trying to influence with-in family behavior. Yet, a few programs have proven quite effective at helping very young children, such as nutritional programs (e.g., the Women's, Infants' and Children's Food Supplement program) or health-related programs (e.g., public health immunization efforts).

I suggest four specific policy areas where new research, demonstration projects, policy design, and political attention might be usefully focused on investing more in children:

First, *mentoring young parents* about appropriate parenting behavior may help improve their skills. For instance, visiting nurse programs that work with the mothers of newborns have been shown to improve child and mother outcomes. Informational campaigns aimed at disseminating 'good practice' to parents may also be useful, such as efforts to encourage parents to read to their young children daily. A major challenge in the next decade will be to develop new ways in which public, religious or community-based organizations can support young parents and improve the health and cognitive development of young children.

Second, *high-quality child care and pre-school programs* can prepare children for elementary school. There is growing interest in expanding preschool offerings down to

age three for all children, although there are many questions about how to implement this policy most effectively.

Third, as children enter school, there are many ways in which families can support children's learning and encourage long-term aspirations. Middle class parents frequently supplement their children's formal schooling in many ways, from summer camp to music lessons to computer games. *Youth organizations in lower-income neighborhoods* (such as YMCA) have often designed programs to provide lower income children with some of these same opportunities. But community-based youth programming is less available now in poor neighborhoods than in decades past. It remains on open question about how to organize and deliver effective after-school, weekend, and summer programs in low-income communities. Tutoring and homework help can be important, programs that are often most effectively delivered by community-based organizations. Larger public efforts may include providing free internet connections and low-cost computers to children and families.

In immigrant communities these issues can be even more complex, as children face language issues as well as potential old country/new country conflicts between parental expectations and peer behavior. Understanding the *unique problems facing the children of immigrants* is important in a world where 25% of all lower-income children are children of immigrants.

Finally, *safe and effective housing* is important to family functioning and child development. Deteriorated housing or housing in high-crime neighborhoods can literally be dangerous to children's health. Extreme housing cost burdens are a major problem for many low-income families, with 47% of families in the bottom quarter of the income

distribution reporting that they pay more than 50% of their income for housing. Frequent residential relocation often means children switch schools or classroom frequently, which disrupts their learning and the learning of other children in high-turnover classrooms. Experiments that helped families move out of public housing into lower-poverty neighborhoods indicated improvements in parental stress and depression and educational gains among girls (but not boys.)

Housing issues and urban community development issues have been further down the public priority list for many years, although the current housing finance crisis has reopened this conversation. The dollars available for housing subsidies have fallen in the past decade, limiting housing assistance to poorer families. It is time to revive the national conversation about new ways to address neighborhood and housing-related issues. Recent policy ideas that are promising are efforts to restructure housing assistance so that it encourages work; efforts to expand housing subsidies in mixed-income neighborhoods; or programs that keep children in the same classroom following family relocation or that pass information across teachers if they change classes in the same urban school district. Given the major mortgage and foreclosure problems in many low-income urban neighborhoods, there is a need for public efforts to help revive these neighborhoods and prevent housing abandonment and the collapse of property values.

While there are many ways to focus on the educational institutions that serve children, from elementary through middle school through high school and into community colleges, school reform should not be the only focus of public programs to assist poor children. The environment in which children live outside of schools – their families and their neighborhoods – may be just as important as the school environment.

There is less current public discussion of how these environmental issues affect child well-being and school outcomes. Housing policy, neighborhood development policy, family mentoring and health-related policies are all important child development topics.

V. Conclusion

In the recent Presidential primaries, a number of candidates talked about the need to address the problem of poverty and impoverished communities. If we want to reduce the number of families with low and unstable incomes, it will be important to keep public attention on these issues in the next decade.

Framing this public conversation requires thoughtful attention to the ways in which Americans are mobilized as voters and as local citizens and volunteers. Poverty is a problem that affects long-run American productivity and economic growth; it is a problem that affects government budgets and tax demands. Poverty is a problem that overlaps with problems of crime and social disruption; it overlaps with problems of discrimination and immigration reform. And poverty is a moral problem, raising questions of what we as Americans owe to our fellow citizens and about the responsibility of our society to provide assistance and opportunities to the most disadvantaged among us. The Mott Foundation should be applauded for making this one of their major program areas. There is much work to be done.

Suggestions for further reading:

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