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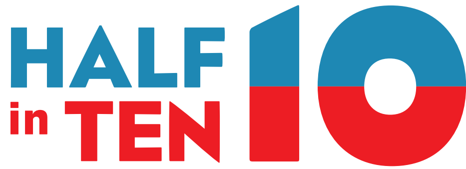
Why Tackling Child Poverty During the Great Recession Makes Economic Sense

Harry J. Holzer Georgetown University and the Urban Institute

September 2010



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Introduction and summary

Child poverty rates in the United States are quite high relative to adults and those observed for children in other industrial countries. This is true even in the best of times. What's more, children who grow up poor in America end up worse off as adults than those who do not grow up poor along a variety of dimensions, including poorer health, lower education, and lower earnings. A previous Center for American Progress report shows that these outcomes impose serious costs on the individuals themselves, their families, and their communities. But they also hurt the U.S. economy as a whole.[1]

How will the Great Recession of the last few years affect this story? Will poverty adversely affect many more children when they become adults if poverty rates rise now, even for a limited number of years, due to the recession? What economic and fiscal costs might poverty impose on the United States over time? And finally, how can our antipoverty and employment policies fight these problems in both the short and longer terms—especially in an era of very tight federal and state budgets?

I try to provide some answers to these questions in this paper. I begin by briefly reviewing previous child poverty findings and looking at how that poverty adversely affects these individuals as adults and the U.S. economy overall. I then consider the evidence showing that child poverty rates have and will continue to rise over the next few years, and how increases in poverty and unemployment will likely persist for some time.

These increases, in addition to other factors (such as high rates of parental job loss and homelessness among disadvantaged youth, and their high rates of unemployment when they seek their first jobs) will likely "scar" these young people for many years to come—perhaps permanently. It is difficult to put precise estimates on the magnitudes of these increases. But research shows that they create long-term economic and fiscal costs for the United States.

Accordingly, we need a set of robust public policy responses to poverty and unemployment over the next few years. Greater short-term federal expenditures are necessary to mitigate the Great Recession's harm to parents and their children, and for cost-effective longer-term strategies to reduce poverty. Failure to do so will not only hurt the individuals themselves who are directly affected, but will also reduce the U.S. economy's productivity and generate higher fiscal deficits in the future.

Revisiting child poverty's economic costs

U.S. child poverty rates are generally quite high even when the economy is operating at its peak. For instance, the official poverty rate for U.S. children was 18 percent during 2007—the last year in which our economy operated at roughly full capacity—while it was 10.7 percent for adults.[2] Indeed, the rate for children was higher than that for any other age group. And our poverty rates for both children and adults are also high compared to other countries regardless of the poverty definition used.[3]

It's also well known that poverty tends to be transmitted across generations. Poor children are not necessarily poor as adults, but their odds of being poor are greater than children who do not grow up in poverty, and their average incomes are substantially lower. Children born and raised in poverty have lower odds of experiencing upward economic mobility across generations—both in terms of their own real income and relative to other Americans—than those somewhat higher on the income ladder.[4] Clearly, the fact that Americans' economic outcomes are at least partly determined by those of their parents runs counter to what we would see if all Americans had truly equal economic opportunity.

Why are poor children's economic prospects so limited? The research shows they start to fall behind at a young age and have difficulty catching up. Those raised in poverty begin to lag behind their more well-off peers in cognitive achievement very early in their lives, all else being equal. And they fall further behind when they attend lower-quality public schools. They are more likely to drop out of high school in their teens, and less likely to get a college degree. They thus enter adulthood with lower levels of education as well as achievement.[5]

Their health also suffers—gaps in wellness appear early in poor children's lives that only widen over time. And their lower education and worse health, among other factors—like discrimination and weaker labor market contacts—result in these individuals' lower levels of employment and earnings over their working lives. At least some of those with the lowest levels of employment are more likely to become single parents or to engage in crime and become incarcerated.[6]

To be sure, statistical *correlation* does not equal *causation*. Social scientists still debate the extent to which the observed statistical correlation between child poverty and these adult outcomes is caused by their low income or by other factors associated with poor parents. But the evidence strongly suggests that at least part of this observed correlation is truly causal and due to the lack of resources, stress, and instability that children in low-income families have to deal with.[7]

Further, these individuals place large costs on the U.S. economy. In a 2007 CAP report several co-authors and I estimated U.S. economic losses caused by the low productivity and earnings, bad health, and high levels of crime and incarceration among adults who grew up poor. We found that these factors reduce the value of U.S. economic output by as much as 4 percent of GDP each year, or roughly $500 billion. We also argued that this was likely a conservative estimate.[8]

The Great Recession worsens child poverty

Poverty rates for adults and children usually rise in recessions, of course, as families' earnings and incomes fall with rising unemployment. If these higher poverty rates persist for some time it is at least possible that poverty's long-term costs will go up as well. Since we are now in the midst of what is widely known as the Great Recession—the worst U.S. economic downturn since the 1930s—it is expected that poverty will rise substantially and remain high, at least for the next several years.

Recent numbers confirm this expectation. The Census Bureau just released new data on income and poverty in the United States for 2009. The data show a large increase in the official poverty rate overall—from 12.5 to 14.3 percent—and for children specifically—from 18.0 to 20.7 percent—between 2007 and 2009.

It's likely that the poverty rate will be even higher in 2010 because the labor market did not really bottom out until this year.[9] And virtually everyone is predicting a slow labor market recovery in which the unemployment rate falls by only a small amount during each of the next few years, and the labor market does not approach full recovery until about 2015.[10] Poverty could very well remain elevated for some time under these circumstances. Indeed, Brookings Institution researchers project child poverty to remain above 20 percent through the end of the current decade. [11]

Poverty's detriment to children will likely be compounded by several other co-incident factors in this recession. For one thing, this recession was caused by a housing "bubble" that burst, causing millions of families to foreclose on their home mortgages. This has led to a steep rise in child homelessness, which has climbed by as much as 50 percent in many states over the course of the recession. Homelessness, in turn, leads to severe stress on these families, which causes children to perform poorly in school and have behavioral problems.[12]

An even more pervasive issue is job loss. This recession has caused a substantial increase in involuntary job loss among all groups of American workers but especially among less-educated and disadvantaged groups. With so much more

permanent job loss even relative to previous downturns, we also find a substantial increase in long-term unemployment, which is defined as joblessness that lasts six months or longer. In fact, the fraction of the unemployed out of work for more than six months has risen to 46 percent—the highest percentage on record. Not surprisingly, workers with long-term unemployment tend to have fairly high poverty rates at least at the time of unemployment, if not earlier or later.[13]

Children will certainly be affected by involuntary job loss and long-term unemployment through their parents' job market experiences. Their families will see a loss of resources, and they will experience the psychological stresses associated with their parents' unemployment along with negative effects on their perceptions of the extent to which effort is rewarded with success.[14]

But high rates of unemployment will also affect them directly as they become teenagers and young adults, and as they enter the labor market for the first time. Recessions always hit young workers quite hard because they are the most marginal and least-experienced group in the job market. And this recession has devastated young workers, whose employment has dropped vastly more than that of any other group.[15] Of course, minority and/or less-educated youth will have the largest employment losses of all since minority and less-educated workers face relatively large employment losses in downturns.

Overall, then, we are going through a severe labor market downturn in which child poverty, homelessness, involuntary and long-term unemployment, and youth unemployment will rise substantially for years to come. Children and young adults in many disadvantaged families no doubt will suffer from the lost income they and their parents endure over the next several years.

But the key question for our purposes is: Will these forces "scar" disadvantaged children and youth over the long term, post-recession, above and beyond what we usually associate with poverty? And, if so, will such scarring lead to more economic and fiscal losses for the nation due to lost productivity, poorer health, and the like?

Unfortunately, we have reason to believe that's the case. Greg Duncan's research has indicated that even short spells of poverty can have detrimental long-term effects on children if they're poor during the critical early childhood years when so much cognitive development occurs.[16] Michael Linden's work on the severe recession of the mid-1970s suggests that children whose families were not poor before the recession but were pushed into poverty during that time had higher

high school dropout rates, lower rates of college attendance, and lower adult earnings.[17] Homelessness' severe stresses also seem to scar children over time.[18]

Regarding unemployment, Philip Oreopoulos, Marianne Page, and their coauthors have shown that children whose parents suffer an involuntary and permanent job loss often experience lower earnings themselves as adults. Disadvantaged children in this category also are more likely to be held back a grade during school, which, in turn, should raise their high school dropout rates and reduce their overall educational attainment.[19] But youth more broadly can be hard hit by a recession. Evidence both from Canada and the United States shows long-term earnings losses associated with high unemployment for youth graduating from high school or even college during recessionary periods.[20]

Finally, the long-term unemployed struggle to regain employment over time because their labor market skills and/or information and contacts depreciate while they're out of work. We already have evidence of a growing "mismatch" between the characteristics of unemployed workers and vacant jobs in the United States, and this might make it more difficult to reduce unemployment over the next several years even if the demand for goods and services as well as labor were to recover soon.[21]

The exact magnitudes of poverty's scarring are impossible to predict with any certainty. But their combined effects suggest that those experiencing high unemployment and/or poverty in this recession will see these negative economic consequences continue for some time. Further, this recession's costs will not only be borne by young people themselves, but by the U.S. economy and budget outlook as a whole for many years if educational attainment, earnings, health, and perhaps law-breaking all worsen over the next several years due to greater poverty.[22] This would mean the annual economic costs to the United States caused by child and youth poverty will likely rise significantly above the 4 percent of GDP we estimated just a few years ago.

Antipoverty efforts' short- and long-term costs and benefits

It makes sense to invest public resources in cost-effective efforts to alleviate poverty and unemployment if even short-term increases in these rates will cause serious long-term economic damage to disadvantaged individuals and the United States as a whole. But this strategy immediately runs into an obvious problem: our projected fiscal budget deficits and a high and growing ratio of public debt to GDP over the next decade and beyond.

The United States faces severe budget shortfalls at the federal level—no question. Current budget forecasts suggest that the ratio of public debt to GDP may rise to as high as 0.9 over the next decade—a level at which countries often begin to run the risk of financing difficulties and even default risks.[23]

But we should also be clear about the U.S. debt situation's dimensions and exactly what is and is not responsible for the situation. For one thing, we have a serious debt problem in the long run but not the short run. The ratio of debt to GDP for the current fiscal year is about 0.65—which is roughly consistent with the levels that existed for much of the 1980s and 1990s. Moreover, the current federal deficit is more a reflection of slow economic growth than a cause of it since the deficit has been driven at least partly by falling tax revenues. The current deficit will automatically fall by roughly half as the economy recovers.[24]

Additionally, federal deficit spending is still widely believed to stimulate an economy crippled by weak demand for goods and services. Indeed, public expenditures on food stamps, unemployment insurance, and other forms of cash assistance to the poor and unemployed are considered particularly effective forms of economic stimulus because recipients spend almost every dollar they receive and thus contribute to greater aggregate demand for goods and services.

Lastly, our very real long-term debt problem's cause is a yawning gap between expected federal revenues and expenditures over the next few decades. The decline in federal revenues is heavily driven by the large and ill-advised tax cuts of

the previous decade, which overwhelmingly benefited high-income groups. The rise in expected federal expenditures is primarily associated with the enormous projected increases in the costs of federal retirement programs for the elderly—primarily Medicare and Medicaid—as the population ages and health care costs continue to rise. And among various discretionary spending categories defense and homeland security expenses have grown substantially in recent years as well. In contrast, nondefense discretionary spending now constitutes about one-eighth of the federal budget, and it has mostly declined as a percentage of GDP over the past several decades.[25]

Thus, short-term discretionary or entitlement spending that offsets the economic losses that result from poverty and unemployment might be particularly effective investments in future economic productivity and output that add little to long-term deficits. Conversely, failing to make these investments and limit the long-term scarring from this recession might not only reduce the value of economic output over time but also worsen the fiscal outlook of states and the federal government. Losses of future earnings reduce income tax revenues over time while raising public expenditures in areas like health care, incarceration, and welfare that occur as poverty rises.

Again, the exact magnitudes of these effects are hard to discern. Some informed speculation, however, is certainly possible. For instance, Clive Belfield and Henry Levin recently edited a volume of studies that estimates the fiscal costs of U.S. high school dropouts, a group with particularly high poverty rates.[26] The studies suggest that each additional high school dropout reduces government revenues—from income taxes on their reduced earnings—and raises public health care and criminal justice costs by roughly $125,000 over their lifetimes in present value.

If high school dropout rates rise during this downturn—which is a likelihood suggested by the work of Linden and Oreopoulos et al that we cited above—we can use Belfield and Levin's set of estimates to project the potential losses to public revenues from just this one likely outcome of the recession.

For instance, about one-fourth of all young people, representing a million or so students, drop out of high school each year on average. The per capita costs of high school dropouts that we cite above suggest that their failure to obtain diplomas costs the public sector about $125 billion in lost revenues each year. Every percentage-point increase in the dropout rate each year would reduce federal revenues by $5 billion over time. A 1 percentage-point increase that lasts for five years

thus would reduce total federal revenues by a total of $25 billion over time, and a 2 percentage-point increase lasting that amount of time would reduce revenues by a total of $50 billion.[27]

Poverty and unemployment might reduce future earnings and public revenues through many other mechanisms besides the high school graduation rate while generating higher public costs over time such as higher crime, poorer health, and lower earnings. Actual losses to federal and state coffers over time, therefore, could be much higher than these illustrations suggest. What's more, the broader economic losses from increases in poverty go well beyond their fiscal effects, as our earlier study suggested.

When we take all this into account it becomes clear that short-term expenditures over the next several years to mitigate the effects of poverty and unemployment on children and youth could have major fiscal payoffs over time—offsetting their higher costs in addition to their other broader economic effects. Much-needed reductions in large projected federal budget deficits also should come from addressing the problems that are actually generating these deficits rather than skimping on antipoverty programs. These include the costs of federal retirement programs and losses of federal revenues caused by unwise tax cuts.

Investing in effective poverty reduction makes good economic sense and helps those in need

High poverty rates among U.S. children reduce the value of economic output by several hundred billion dollars annually even when the economy is on track. But the elevated child poverty and parental and youth unemployment the Great Recession has inflicted will likely generate billions in additional economic and fiscal losses over time as children and youth are permanently scarred from a severe and protracted economic downturn.

Sensible, short-term public investments in children and youth are in order to reduce the Great Recession's long-term economic and fiscal repercussions. Some of these investments would bolster income supports and employment among poor and unemployed parents, while others would directly serve children and youth most in need.

The short-term steps are particularly important since the American Recovery and Reconstruction Act or ARRA provisions are set to expire at the end of this year. These provisions granted important increases in safety net coverage and additional educational and training expenditures for poor youth adults. [28]

Some ARRA provisions need to be extended to maintain an adequate safety net for at least a few more years while labor markets remain very weak. These relate to the coverage and generosity of benefits under unemployment insurance, Temporary Assistance to Needy Families, and the Supplemental Nutritional Assistance Program, which provides food stamps. Research also clearly shows that unemployment insurance helps maintain food consumption among the unemployed while food stamps improve nutrition among poor infants and children, which, in turn, can help give them better health, education, and earnings as adults.[29]

Efforts to avert public-sector layoffs, particularly in cash-strapped states, remain important along with other steps to generate private- and public-sector jobs. The latter might include much more generous tax credits for private job creation, as well as public service employment carefully targeted to very disadvantaged workers.[30]

Job-creation efforts should especially be targeted toward disadvantaged youth because they have had a very hard time finding work in this recession. Any steps to help them should include opportunities to combine work experience with education and training wherever possible.[31]

Finally, children and youth in need during this downturn should have services directed to them. Preschool and after-care programs for school-age children should be bolstered at least temporarily, while homelessness prevention efforts (perhaps through more aggressive foreclosure prevention) and aid to those suffering from homelessness should be increased as well.[32]

Other cost-effective investments in long-term poverty reduction have been rigorously evaluated and clearly increase the educational attainment or earnings of poor adults and their children. These deserve extra funding on a permanent basis, and include the Earned Income Tax Credit and Child Tax Credit for poor working adults, high-quality early childhood education programs, and various education and training programs serving low-income youth and adults.[33]

No one doubts the need to be fiscally prudent over the coming years and decades. Such prudence, however, does not preclude our making sensible and cost-effective investments in reducing poverty and unemployment over the short and longer terms. Indeed, to not make such investments would be pennywise but pound foolish over time.

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Endnotes

1 Harry Holzer and others, "The Economic Costs of Poverty in the U.S.: Subsequent Effects of Children Growing Up Poor" (Washington: Center for American Progress, 2007).

2 The official poverty rate for the US stood at 12.5 percent in 2007. However, this measure has long been criticized for being somewhat dated and inaccurate. See Rebecca Blank, "How to Improve Poverty Measuremnet in the United States," *Journal of Policy Analysis and Management* 27 (2) (2008): 233-54. Accordingly, a new supplemental poverty measure will also be calculated and reported starting this year (http://www.commerce.gov/news/press-releases/2010/03/02/census-bureau-develop-supplemental-poverty-measure). The use of one measure or the other will likely not dramatically change the major qualitative findings reported here.

3 Timothy Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective." *Journal of Economic Perspectives* 20 (2006). The United States has the highest rates of poverty in the industrial world as measured by relative income standards, and fairly high poverty (compared to other countries) even when measured by absolute income standards.

4 Mary Corcoran, "Mobility, Persistence and the Consequences of Child Poverty in the U.S." In S. Danziger and R. Haveman, eds., *Understanding Poverty* (Cambridge: Harvard University Press, 2001); Julie Isaacs, Isabel Sawhill, and Ron Haskins, *Getting Ahead or Losing Ground: Economic Mobility in America*. (Washington: Economic Mobility Project, Pew Trusts, 2008). The impacts of child poverty on the future economic outcomes of individuals no doubt rests at least partly on the number of years during which children grew up in poverty, how far below the poverty line their parents' income fell, and a variety of circumstances in their families, schools and neighborhoods.

5 Katherine Magnuso and Votruba-Drzal, "Enduring influences of childhood poverty." In S. Danziger & M. Cancian, eds., *Changing Poverty* (New York: Russell Sage Foundation, 2009). Early achievement gaps between low- and middle-income children apparently reflect differences in a range of parental resources and inputs as well as neighborhood factors and access to high-quality child care. Differences in school quality and other neighborhood factors then cause these gaps to widen.

6 Harry Holzer and others, "The Economic Costs of Poverty in the U.S."

7 For a skeptical view on the extent to which the negative effects of child poverty on adult outcomes are truly caused by low income, see Susan Mayer, *What Money Can't Buy* (Cambridge: Harvard University Press, 1997). But stronger evidence of causal factors from rigorous experimental evidence appears in Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty" (Madison: University of Wisconsin at Madison, 2010), and Greg J. Duncan, Kathleen Ziol-Guest, and Ariel Kalil, "Early Childhood Poverty and Adult Attainment, Behavior and Health," *Child Development* 81 (1)(2010): 306-325.

8 For instance, our calculations of the long-term negative effects of child poverty only measure its effects on outcomes along three specific dimensions (earnings, crime, and health), and do not include a wide range of other effects on personal well-being or the local environment.

9 The unemployment rate averaged 9.3 percent in 2009 and has averaged 9.7 in the first six months of 2010.

10 Council of Economic Advisers, "Economic Report of the President." (2010). Slow rates of recovery are usually experienced in economic downturns driven by financial market turmoil, as shown by Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Economic Folly* (Princeton: Princeton University Press, 2009).

11 Emily Monea and Isabel Sawhill, "Simulating the Effect of the 'Great Recession' on Poverty" (Washington: Brookings Institution, 2009).

12 Julie Isaacs and Phillip Lovell, "Families of the Recession: Unemployed Parents and their Children" (Washington: The Brookings Institution, 2010).Rising homelessness rates likely reflect dramatic increases in unemployment among disadvantaged groups as well as home foreclosures.

13 Wayne Vroman, "The Great Recession, Unemployment Insurance and Poverty" (Washington: Urban Institute, 2010).

14 Ariel Kalil, "Unemployment and Job Displacement: The Impact on Families and Children," *Ivey Business Journal* (2005). See for a review of why parental unemployment can negatively impact the long-term prospects of their children.

15 Andrew Sum and others, "Dire Straits for Many American Workers: The Economic Case for New Job Creation Strategies in 2010 for the Nation's Teens and Young Adults" (Boston: Northeastern University, 2010).

16 Greg J. Duncan, Kathleen Ziol-Guest, and Ariel Kalil, "Early Childhood Poverty and Adult Attainment, Behavior and Health."

17 Michael Linden, "Turning Point: The Long-Term Effects of Recession-Induced Poverty." (Washington: First Focus: Campaign for Children, 2008).

18 Julie Isaacs and Phillip Lovell, "Families of the Recession."

19 Philip Oreopoulos, Marianne Page, and Ann Huff Stevens, "The Intergenerational Effects of Worker Displacement," *Journal of Labor Economics* 26 (3) (2008); Marianne Page, Ann Huff Stevens, and Jason Lindo, "Parental Income Shocks and the Outcomes of Disadvantaged Youth in the United States." In J. Gruber ed., *The Economics of Disadvantaged Youth* (Chicago: University of Chicago Press, 2008).

20 Lisa Kahn, "The Long-Term Labor Market Consequences of Graduating from College in a Bad Economy," *Labour Economics*, forthcoming, (2010); Philip Oreopoulos, Marianne Page, and Ann Huff Stevens, "The Intergenerational Effects of Worker Displacement."

21 Michael Elsby, Bart Hobijn, and Aysegul Sahin, "The Labor Market and the Great Recession." Working Paper. (National Bureau of Economic Research, 2010).

22 It should be noted that crime rates actually fell in 2009 relative to earlier years. Studies of the effects of the business cycle on crime rates generally show modest countercyclical changes that may or may not be overcome by other demographic trends or policy factors. [Steven Raphael and Rudolf Winter-Ebmer, "Identifying the Effects of Unemployment on Crime," *Journal of Law and Economics* 44 (2001); Steven Levitt, "Understanding Why Crime Fell in the 1990s: Four Factors that Contributed and Six That Did Not," *Journal of Economic Perspectives* 18 (2004).] But, given the severity of this downturn, it remains a distinct possibility that crime rates will worsen at some point over the next several years.

23 Carmen Reinhart and Kenneth Rogoff, *This Time is Different: Eight Centuries of Economic Folly* (Princeton: Princeton University Press, 2009).

24 Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2010-2020" (2010).

25 Ibid.

26 See, Clive Belfield and Henry Levin, *The Price We Pay: Economic and Social Consequences of Inadequate Education* (Washington: Brookings Institution Press, 2007) and especially the papers by Cecelia Rouse, Peter Muenning, Enrico Moretti, and Jane Waldfogel and others in that volume.

27 James Heckman and Paul Lafontaine, "Trends and Levels in High School Graduation Rates in the U.S." Working Paper. (National Bureau of Economic Research, 2007).

28 See Peter Edelman, Olivia Golden, and Harry J. Holzer, "Reducing Poverty and Economic Distress after ARRA" (Washington: Urban Institute, 2010), for a longer discussion of short-term and long-term policies that are needed to combat poverty in the aftermath of ARRA.

29 Jonathan Gruber, "The Consumption Smoothing Benefits of Unemployment Insurance," National Bureau of Economic Research Working Paper 4750 (1994); Douglas Almond, Hilary Hoynes, and Diane Schanzenbach, "Inside the War on Poverty: The Impact of the Food Stamp Program on Birth Outcomes." *Review of Economics and Statistics*, forthcoming (2010). Of course, economists often worry that UI and transfer programs like Food Stamps will have negative effects on the incentives of the unemployed and the poor to work, especially at low-wage jobs. But recent evidence suggests that the disincentive effects of both programs are fairly modest [David Card, Raj Chetty, and Andrea Weber, "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?" Discussion Paper. IZA (2007); Douglas Almond, Hilary Hoynes, and Diane Schanzenbach, "Inside the War on Poverty."], which is especially likely when jobs are relatively unavailable in a severe recession.

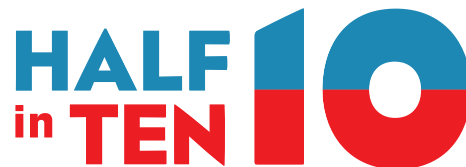
30 Timothy Bartik, "Not All Job Creation Tax Credits are Created Equal" (Washington: Economic Policy Institute, 2010); David Ellwood and Elisabeth Welty, "Public Service Employment and Mandatory Work: An Idea Whose Time Has Come and Gone and Come Again?" In D. Card and R. Blank, eds., *Finding Jobs: Work and Welfare Reform*. New York: Russell Sage Foundation. Bartik argues for "marginal" employment tax credits modeled after the New Jobs Tax Credit of the late 1970s, in which firms only get credits for increases in payroll employment relative to the previous year above some base level (like 2 percent). Even if large parts of the credits generate "windfalls" for companies that would have hired many of the same workers anyway, the quantity of net job creation per dollar spent can still be substantial. Ellwood and Welty argue that public service employment programs which are carefully targeted to disadvantaged workers tend to avoid the problems of employment "substitution," in which the publicly subsidized workers just replace other unsubsidized workers in the same firms. Funding for subsidized jobs under the Emergency TANF provisions of ARRA are one such example that certainly merits continuation and expansion [LaDonna Pavetti, "Going, Going, Almost Gone: Job-Creating TANF Emergency Fund Set to Expire." (Washington: Center on Budget and Policy Priorities, 2010).].

31 Peter Edelman, Olivia Golden, and Harry J. Holzer, "Reducing Poverty and Economic Distress after ARRA." While summer jobs programs for youth offer short-term employment, year-round employment opportunities combined with training for those in or out of school likely have more beneficial long-term impacts on these youth.

32 Examples of existing programs of these kinds that merit additional short-term funding include the Homelessness Prevention and Rapid Re-housing Program under ARRA, the Education for Homeless Children and Youth program (also known as the McKinney-Vento Act), and the Promoting Safe and Stable Families Program funded under the Social Security Act. For more information see, Julie Isaacs and Phillip Lovell, "Families of the Recession."

33 Since the beneficial effects of the EITC on the employment and earnings of low-income parents have been clearly established [Karl Scholz, "Employment Based Tax Credits" (Washington: Hamilton Project, The Brookings Institution, 2007).], there is a strong case for expanding the EITC to populations like childless adults that currently receive very little [Peter Edelman, Mark Greenberg, and Harry J. Holzer, "Expanding the EITC to Help More Low-Wage Workers" (Washington: Georgetown Center on Poverty, Inequality and Public Policy, 2009).], and also for making the CTC more available to those with lower incomes and better integrating it with the EITC [Steven Holt and Elaine Maag, "Considerations in Efforts to Restructure Work-Based Tax Credits" (Washington: Tax Policy Center, Urban Institute, 2009).]. The benefits of high-quality early childhood programs are documented by Jacob and Ludwig in 2009. [Brian Jacob and Jens Ludwig, "Improving Educational Outcomes for Poor Children," In S. Danziger and M. Cancian, eds., *Changing Poverty* (New York: Russell Sage Foundation, 2009).]; while successful efforts for at-risk youth include the Harlem Children Zone and the Career Academies for those in school, the National Guard ChalleNGe program for those out of school, and the Youth Opportunities grants program for all youth in low-income neighborhoods. See Peter Edelman, Harry J. Holzer, and Paul Offner, *Reconnecting Disadvantaged Young Men* (Washington: Urban Institute Press, 2006), and Peter Edelman, Olivia Golden, and Harry J. Holzer, "Reducing Poverty and Economic Distress after ARRA" (Washington: Urban Institute, 2010) for more discussion. Efforts to improve access to postsecondary education for low-income youth and adults are discussed in Ron Haskins, Harry J. Holzer, and Robert Lerman, "Promoting Economic Mobility by Increasing Postsecondary Education" (Washington: Economic Mobility Project, Pew Charitable Trusts, 2009), and Harry Holzer and Demetra Nightingale, "Strong Students, Strong Workers: Models For Student Success Through Workforce Development and Community College Partnerships" (Washington: Center for American Progress, 2010). "Sectoral" training programs for low-income adults have also generated large impacts in random assignment evaluations. [Sheila MaGuire and others, *Job Training that Works: The Sectoral Employment Impact Study* (Philadelphia: Public/Private Ventures, 2009).] In many cases where our research evidence on what is cost-effective remains limited, experimentation and rigorous evaluation should accompany any efforts to expand public funding of services.

The Half in Ten campaign believes that a clear goal and tested strategies to achieve it are crucial for success. Accordingly, setting a 50 percent reduction goal is our first step toward eliminating poverty. We can accomplish that goal if we deepen and expand the public will to move forward, and if we channel that will toward proven policy solutions. To do this, we must update the public's perception of poverty and change the course of federal, state, and local governing by encouraging policies that promote decent work, provide opportunity for all, ensure economic security, and help Americans build wealth over their lifetimes.



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