

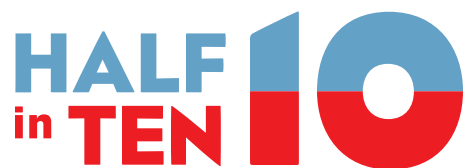


# Building Local Momentum for National Change

*Half in Ten Annual Poverty and Inequality Indicators Report*

*November 2014*

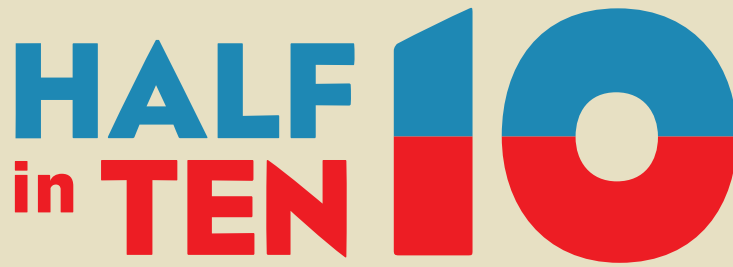




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*November 2014*



## *Foreword*

*By Sen. Cory Booker, former Mayor of Newark, New Jersey*

Poverty is expensive.

Like so many Americans, I have long tallied poverty's tremendous costs in terms of its human toll and the tears it inflicts to our nation's moral fabric. I have considered its tendency to beget itself, often generation after generation, to be a terrible injustice. I have believed it to be a stain on a great nation capable of doing so much more to help its most vulnerable citizens.

And then I became the mayor of Newark, New Jersey. My assessment remained, and in fact deepened, with every day that passed. I came to more fully appreciate how poverty's impact on those of us who are not poor goes far beyond the abstract, far beyond a failure to make good on our nation's promise or our individual moral obligations.

I saw every single day how poverty becomes expensive for *everyone*. I also came to realize that addressing poverty's root causes isn't cheap, but that ignoring them costs far more. The importance of this fact cannot be emphasized enough because it is the key to building the coalitions we need to help lift millions of Americans out of poverty.

At the moment, such coalitions remain largely aspirational. As a U.S. senator for just more

than one year, it has become clear that our politics are keeping us from heeding a common-sense call to action.

Meanwhile, the stories that support action are endless.

I recently met a man named Jay who lives in southern New Jersey's Cumberland County. Jay is a hardworking father of five who lost his job because of the economic downturn. He told me how badly he wanted to get back to work and how he depended on unemployment insurance, to put gas in the car to get to and from job interviews. Yet—despite the fact that our nation has extended emergency unemployment benefits so many times before, and under both Democratic and Republican administrations—the House failed to pass a bipartisan Senate compromise bill. This inaction not only hurt countless individual Americans; it damaged the economy.

In recent testimony before the Joint Economic Committee, Mark Zandi, chief economist for Moody's Analytics concluded that for every dollar spent on unemployment insurance, aggregate economic activity would increase by \$1.55.<sup>1</sup> Moreover, for every million dollars spent on unemployment insurance, six jobs would be added to the economy.<sup>2</sup> This failure to extend emergency unemployment insurance proved

again how the House leadership was beyond tone deaf and disconnected from the harsh realities faced by millions of Americans. And it will cost us all for years to come as more Americans plunge into the ranks of the long-term unemployed, forcing us all to pick up the tab.

It's not just the unemployed who are struggling, but also those stuck in low-wage jobs—including the many North Jersey workers who U.S. Labor Secretary Tom Perez and I spoke with earlier this year about the inadequacy of the federal minimum wage. Worker after worker told of holding down a full-time job but being unable to get by—how they fell behind on utility bills, how they chose between basic necessities, how their working-age children dropped out of school to work to help keep the family above water. They were all working, but many were in poverty.

Raising the minimum wage to \$10.10 per hour will lift upwards of 900,000 people out of poverty,<sup>3</sup> help the more than 4.5 million parents who are raising kids on wages of less than \$10.10 per hour,<sup>4</sup> and increase real income in our country by \$2 billion.<sup>5</sup>

Or consider Rachel, a New Jersey college student, who told me about her friends who would skip meals to save up for a tuition payment or to buy a textbook, only to face crushing student debt that will follow them for much of their lives. That's because over the past three decades, tuition at a four-year public university

has nearly tripled while the average family's income has barely increased. For many, the financial barriers to college mean not attending or not completing a degree—a recipe for a decline in America's global competitiveness and something we truly can't afford.

I am hopeful that Congress's inaction won't stand. Let's put the moral argument aside for a moment and think like a business executive examining this problem through the lens of a balance sheet analysis. For every dollar we spend on universal preschool, we will save around \$11 in the long term. For every dollar we invest in our transportation infrastructure, we will see a \$1.44 increase in gross domestic product and create good paying jobs.<sup>6</sup> For every dollar of benefits provided through the Supplemental Nutrition Assistance Program we see a \$1.71 return.<sup>7</sup>

As Secretary Perez and I discussed, a modest increase in the minimum wage would boost economic activity by more than \$30 billion and create more than 140,000 new jobs in the United States.<sup>8</sup> A minimum wage of \$10.10, for example, means that more than 1.7 million Americans would no longer have to rely on public assistance programs, leading to a direct reduction in government spending.<sup>9</sup>

Even a conservative estimate finds that raising the minimum wage would save our government at least \$7.6 billion per year.<sup>10</sup> Our cities, counties, states, and nation will spend less on policing



and incarceration, less on health care, and less on safety-net programs if we simply invest in these simple ways to reduce poverty.

Not every intervention will work, and not all interventions will have an equal impact. That is why reports such as this one are important.

We will not find agreement on every policy, to be sure, and debates about best approaches can and should happen. But people of all political stripes must recognize the national threat poverty poses and the unacceptable costs of inaction. Poverty is not a Democratic or Republican issue: it's an American issue.

Poverty is expensive today. Poverty in 10, 20, or 30 years will be exponentially more so.

We must act now. Nothing less than our nation's moral core and economic success depend upon it.

*Sen. Cory Booker has spent his career fighting to end the injustice of poverty. As the mayor of Newark, New Jersey, he more than doubled the rate of affordable housing production in the city and created an estimated 2,500 new units of affordable housing. He has continued his efforts to battle poverty as a U.S. senator on a number of fronts, including pursuing an increase in the federal minimum wage, writing legislation to ease the process of applying for college financial aid, and introducing the REDEEM Act—a sweeping, bipartisan bill that seeks to reform our nation's broken criminal justice system by helping ex-offenders break the destructive cycle of poverty.*

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# Contents

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	<b>Introduction and summary</b>	<b>2</b>
CHAPTER ONE	<b>Poverty in the United States today</b> Indicators 36	<b>14</b>
CHAPTER TWO	<b>More good jobs</b> Indicators 58	<b>40</b>
CHAPTER THREE	<b>Strengthening families</b> Indicators 90	<b>68</b>
CHAPTER FOUR	<b>Family economic security</b> Indicators 112	<b>94</b>
	<b>Conclusion: A call to action</b>	<b>122</b>
	<b>About the authors, about the Half in Ten partners, and acknowledgments</b>	<b>132</b>

# Introduction and summary

*By Erik R. Stegman*

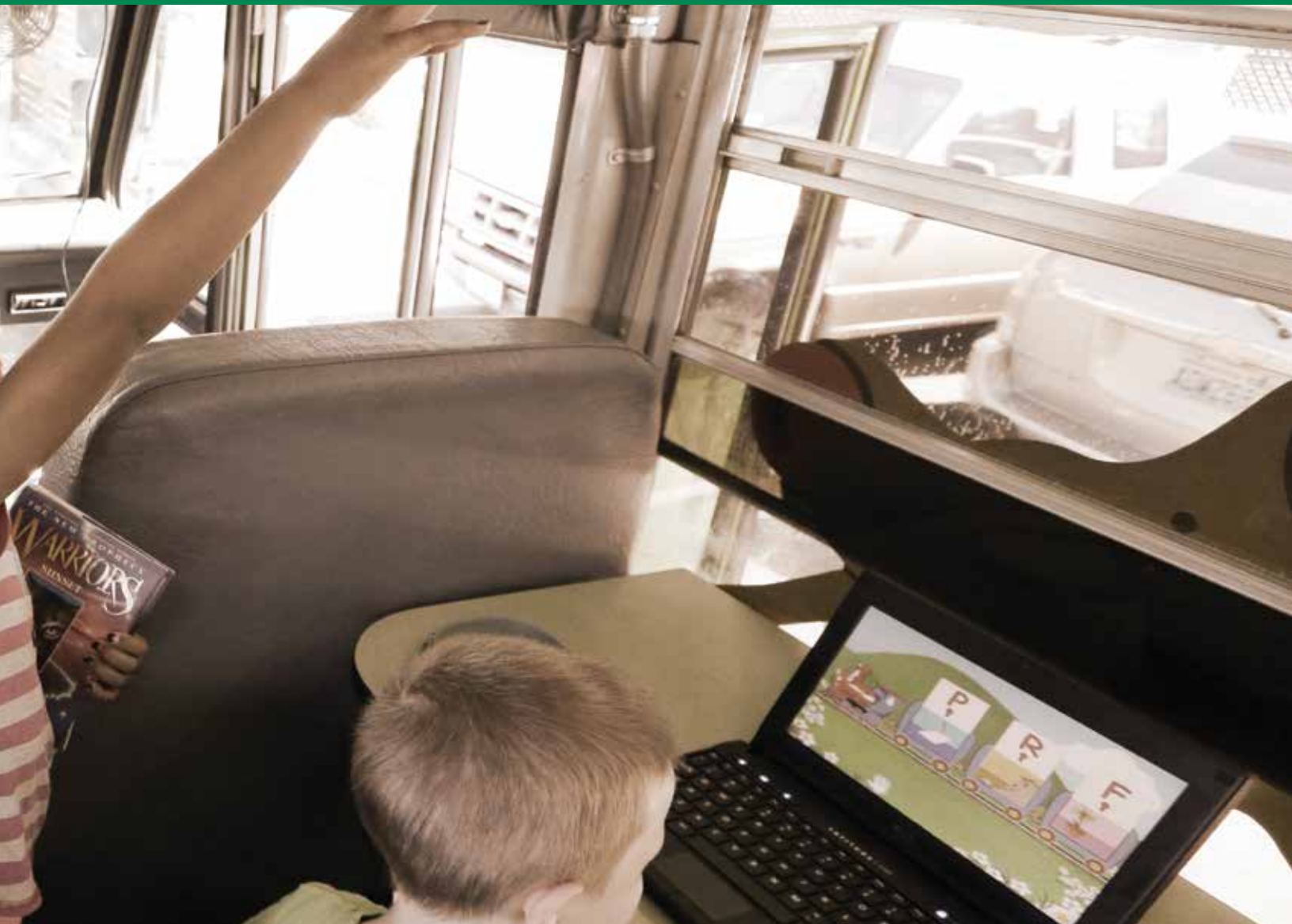


Children look for books to take home as others play on computers aboard a converted bus in Federal Way, WA, July 15, 2013

ASSOCIATED PRESS/ELAINE THOMPSON



*Since 2010, the Half in Ten campaign has tracked its progress toward achieving its goal of cutting poverty in half in 10 years by examining 21 different indicators of economic security and opportunity. We began this project in the immediate aftermath of the Great Recession, which technically ended in June 2009. Monitoring our indicators since then we have seen evidence of a slowly recovering economy with improving unemployment rates, yet far too many indicators have remained virtually stagnant for years. Between 2012 and 2013, the percentage of Americans with incomes below the poverty line—a mere \$18,552 per year for a family of three—declined slightly, from 15 percent to 14.5 percent.<sup>1</sup>*



*This is the first statistically significant decrease in the poverty rate since 2006, and only the second decrease since 2000.<sup>2</sup> Moreover, the decline in both the number and share of children in poverty was substantial: The child poverty rate fell by nearly 2 percentage points, from 21.8 percent in 2012 to 19.9 percent in 2013, and the number of children in poverty declined by 1.4 million.<sup>3</sup> Similarly, Hispanics saw a statistically significant change in their poverty rate, falling from 25.6 percent in 2012 to 23.5 percent in 2013,<sup>4</sup> although they were the only racial or ethnic group to experience such a drop. At the same time, the actual number of Americans living in poverty remained statistically unchanged—45.3 million in 2013.<sup>5</sup>*

With the midterm congressional elections behind us, it is time for Congress to get serious about passing legislation to cut poverty. Though there are some bright spots in our data this year, too many of our indicators remain stagnant or moving in the wrong direction. That said, we have seen many promising developments when it comes to public attention to these issues and movement for change at the local level. Moreover, with candidates gearing up for 2016, the presidential year elections present very important opportunities for our mission to build the political and public will to cut poverty. Presidential campaigns focus the public's attention on the competing visions and agendas for moving our country forward and ask voters to make choices about the policies we need in place. With income inequality at levels not seen since the 1920s, a shrinking middle class, stagnant wages, and little progress on poverty, we must set the stage to make poverty reduction a serious and accountable priority for all candidates in 2016.

A national anti-poverty agenda for 2016 is already building momentum at the local level. In states and municipalities across the country, movements to raise the minimum wage are achieving success and gaining steam. In 2014 alone, 10 states and the District of Columbia increased their minimum wage.<sup>6</sup> The city of Seattle passed the highest minimum wage in the country, which will reach \$15 per hour by 2017.<sup>7</sup> State and local advocates are also achieving success for important workplace policies. In September 2014, California Gov. Jerry Brown (D) signed legislation requiring nearly all employers in the state to provide at least three days of paid sick leave annually.<sup>8</sup> This makes California the second state to do so; Connecticut extended paid sick leave to a substantial share of workers in the state in 2012.<sup>9</sup> And a growing number of cities are adopting paid sick leave laws. Mostly over the past year, five New Jersey cities, including the three largest in the state, have adopted paid sick leave laws. As of September 2014, five other major

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U.S. cities have now adopted citywide paid sick leave laws, most recently, Portland, Oregon, and New York City.<sup>10</sup> Local advocates and leaders are also pushing a new education and child care agenda. Last March, New York City Mayor Bill de Blasio announced a plan to make pre-kindergarten available to every 4- and 5-year-old child in the city by the fall of 2016.<sup>11</sup>

Even where Congress has actively made the situation more challenging for low-income families, state and local advocates in red and blue states have pushed back. When Congress finally passed the new farm bill in February 2014, it cut spending on the Supplemental Nutrition Assistance Program by a projected \$8.6 billion over the next decade, which significantly reduced benefits for hundreds of thousands of households, on top of a benefit cut that already took place in November 2013 due to a boost from the American Recovery Act that was allowed to expire. Thanks to local pressure, several states exercised their admin-

istrative flexibility to continue coordinating heating and food assistance through a provision called “Heat and Eat,” which helped prevent some of these benefit cuts. As of June 2014, states opting to maintain their Heat and Eat coordination included California, Connecticut, Massachusetts, Montana, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, and the District of Columbia.<sup>12</sup>

Unfortunately, progress toward effective policies at the national level lately has been about as stagnant as our indicators. But progress and momentum at the local level demonstrates that public will is building in the right direction. Looking ahead, advocates who support our mission to cut poverty in half should focus on strategies that can leverage local momentum and help us build a truly national anti-poverty agenda, as well as a movement to implement it. The following is a summary of some of the key findings from this year’s report.

## Improving unemployment rates but stagnant and depressed wages

**I**n the years following the end of the Great Recession, economic growth has been steady but slow. The unemployment rate fell from 7.2 percent in September 2013 to 5.9 percent in September 2014. Although this is considerably lower than the previous year, we still have a long way to go to return to prerecession levels and absorb new entrants into the labor force. To do this, it is estimated that we will need to add

about 5.6 million more jobs to our economy, and that it will take three or more years at the current pace of job creation to close the gap.<sup>13</sup>

But in order to reduce poverty, we must do more than just add jobs. Too many jobs in our economy are not paying enough to make a living. Similar to job growth, wage growth was hit hard during the Great Recession and has





Low-wage workers rally on Capitol Hill in Washington to urge Congress to raise the minimum wage as lawmakers return to Washington following a two week hiatus, April 28, 2014.

ASSOCIATED PRESS

yet to recover—in fact, for low- and moderate-wage workers, it has been declining since the 2001 recession. As a result, wages for the bottom 40 percent of workers are lower today than they were in 2000.<sup>14</sup> We see this trend clearly reflected in one of our indicators: the median wages for five major service occupations, including health care support; protective services; food preparation and serving; personal care and service; and building grounds

cleaning and maintenance. For workers in these industries, their median wages were the same in 2013 as they were in 2000, when adjusted for inflation. Low wages have not come close to keeping up with productivity. In fact, if our nation's minimum wage—currently set at \$7.25 per hour—were adjusted to track the increase in productivity, it would be slightly more than \$17 per hour.<sup>15</sup>

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The pay gap between men and women is another stagnant indicator this year. Women working full-time, year-round jobs earned 78 percent of what men working full-time, year-round jobs did in 2013—78 cents for every \$1 earned by a man. The gap was 77 percent in

2012, statistically unchanged. The poverty rate for both men and women fell between 2012 and 2013, but disparities remain. The poverty rate for women ages 18 and older in 2013 was 14.5 percent compared to 11 percent for men.<sup>16</sup>

## The rich grow richer as income and wealth stagnate for low- and middle-income families

While wages for the bottom 40 percent of Americans have stagnated or gotten worse for more than a decade, the rich have grown richer. We track the distribution of income across the economy as one of our indicators—income inequality. The level of income inequality has now reached the same levels as it was in the 1920s. In 2013, the top 20 percent of Americans took in more than half of all income in the United States, a whopping 51 percent. In fact, the top 5 percent of Americans took home 22.3 percent of our country's total income, while the bottom 40 percent brought in just 11.5 percent.<sup>17</sup>

And it is not just the gap in income that has widened. The gap in wealth is even more dramatic. According to a 2014 Federal Reserve study, the median net worth of families in the top 10 percent of the income distribution was \$1.13 million in 2013, compared to just \$6,400 for families in the bottom 20 percent.<sup>18</sup> While the net worth of middle-income families declined by 26 percent between 2001 and 2013, it increased by 3 percent for those in the top

10 percent.<sup>19</sup> Families in the bottom 20 percent saw their net worth decline by 41 percent over the same time period.<sup>20</sup>

Income inequality, stagnant wages for those at the bottom, and static indicators of poverty are all deeply interrelated. The longer that wages have remained flat for low-income working Americans, the more difficult it is for them to keep pace with the rising costs of housing and other basic needs. As it relates to wealth, stagnant wages also make it increasingly difficult—and, for many, impossible—to save for future educational needs, medical emergencies, or job losses. The poverty rate does not fully capture the impact of rising income inequality, as it is only a point-in-time estimate of the 14.5 percent of Americans who were in poverty in 2013. Income inequality also contributes to chronic economic insecurity for far too many families in our country. Census data that track family income over time show that nearly one in three families—31.6 percent—experienced at least a two-month spell of poverty from 2009 to 2011, while only 3.5 percent of the population was in poverty all three years.<sup>21</sup>

## Our economy is seriously failing communities of color

Job creation may be too slow and wages too stagnant overall, but for communities of color the disparities are especially stark. While the unemployment rate for all workers was 5.9 percent in September 2014, it was a whole different story for communities of color.<sup>22</sup> The unemployment rate was 5.1 percent for whites, but 11 percent for African Americans and 6.9 percent for Latinos.<sup>23</sup> Not only is employment a more severe challenge for communities of color, but wages are disproportionately depressed for this demographic as well. In 2013, 35.7 percent of blacks and 42.2 percent of Latinos made poverty-level wages compared to 22.5 percent of whites.<sup>24</sup>

This year, there was a welcome change in the right direction for Hispanics, the only racial or ethnic group to experience a statistically significant positive change in both their poverty rate and the number of individuals living in poverty. The poverty rate for Hispanics fell from 25.6 percent in 2012 to 23.5 percent in 2013.<sup>25</sup> In comparison, the poverty rate for African Americans was 27.2 percent in 2013, the same as it was 2012. Yet, for Hispanics and other

communities of color, serious disparities still exist in the poverty rate. Both these Hispanic and black poverty rates were especially high compared to the poverty rate for whites, which was 9.6 percent in 2013.<sup>26</sup>

Many of these communities also face disproportionate cost burdens. As we examine in our “Family Economic Security” chapter, in 2012, 27 percent of black households, 24 percent of Latino households, and 21 percent of Asian households faced severe cost burdens—paying more than 50 percent of their income for housing.<sup>27</sup> This is compared to 14 percent of white households.<sup>28</sup> When communities of color face these types of challenges with meeting the cost of basic needs, combined with disproportionate rates of unemployment, low wages, and poverty, their budgets are disproportionately strained. By 2042, people of color will make up the majority of our workforce.<sup>29</sup> The longer we let these disparities persist for the future of our workforce, the more we undercut our global competitiveness. It is far past time to address and eliminate them.

## Congress pulls the rug out from struggling families before the labor market has recovered

One of the most important pathways out of poverty is a good job that pays a living wage. The vast majority of Americans, including those at the bottom of the income scale, rely on their paychecks and work-related benefits as

their primary source of income.<sup>30</sup> But stagnant and declining wage growth over the past decade and a half has meant that good jobs are hard to come by. This is why it is absolutely critical that effective policies are put in place that ensure

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that poorly compensated workers are treated fairly—policies such as an increase to the minimum wage and paid sick days.

When a job, or a living-wage job, is out of reach, our nation's safety net is there to support families in meeting their basic needs. It is also there to support those who cannot work due to a disability. As illustrated throughout this report, the labor market and the safety net are connected in important ways. When the labor market and economy are not working for most Americans during economic downturns and during challenging recoveries as it is today, the safety net fills in. The faster the labor market gets back on track and the closer we come to full employment, the less work the safety net has to do.

This is especially true of programs such as the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, which expands and contracts according to the need. With today's poverty rate, depressed wages, and slow job growth, families need this critical program to put nutritious meals on the table. But a recent study by the Center for American Progress showed that if the minimum wage were raised to \$10.10 per hour from its current rate of \$7.25, we would save nearly \$4.6 billion in annual SNAP expenditures.<sup>31</sup> By making smart policy choices to improve our labor market for low-income Americans, we can also take pressure off of our strained safety net, which is currently working overtime. Instead of doing the smart thing, Congress cut SNAP funding by nearly \$8.6 billion over 10 years in the most

recent farm bill, on top of letting a Recovery Act boost expire—all while refusing to raise the minimum wage.

Unemployment insurance coverage also illustrates the connection between the safety net and the labor market. Unfortunately, it also illustrates the wrong policy choices Congress made this past year to move many of our indicators in the wrong direction. This nation is still 5.7 million jobs shy of where we were before the recession. When someone cannot find employment, unemployment insurance should be there to help him or her meet basic needs in addition to having access to other vital programs such as SNAP. However, just as it did with SNAP, Congress reduced unemployment insurance coverage at a time when this serious need still exists in the labor market. At the same time they have cut back on this support, Congress has stalled on legislation that would create jobs. In 2013, 40.5 percent of jobless workers had access to unemployment insurance coverage—an 8 percentage-point drop from 2012.<sup>32</sup> This continues a trend when unemployment insurance coverage fell by 7 percentage points in 2012. In December 2013, Congress let federal emergency unemployment insurance coverage expire. As a result, as many as 4 million jobless workers and their families may lose unemployment benefits this year, regardless of whether they are able to find work.<sup>33</sup> In addition to renewing unemployment insurance coverage, Congress should pass policies to improve the job market such as infrastructure and subsidized employment, which we recommend in our “More Good Jobs” chapter.



## Federal investments in health insurance are improving lives, and many states can do a lot more right now

One of the biggest pressures on a family's budget is the cost of health care. In 2013, one out of every four people living below the poverty line went the entire year without health insurance coverage.<sup>34</sup> Furthermore, those aged 19 to 34 accounted for about 38.3 percent of the uninsured population. Among 25- to 34-year-olds living below the poverty line, 42 percent were uninsured for all of 2013. Unlike some of our other indicators, our nation made the right decision to invest in health insurance through the passage of the Affordable Care Act, or ACA. We are already seeing the positive results—especially for low-income Americans. The share of Americans without health insurance grew steadily between 2000 and 2010, and had been projected to continue rising before passage of the ACA. But after peaking at 15.5 percent in 2010, the share of people without health insurance fell to 14.5 percent in 2013. The change in this year's indicator is still modest because the vast majority of Americans who have gained health insurance coverage under the law will not be counted in the official data until 2015. But surveys by Gallup, the RAND Corporation, the Urban Institute, and the Commonwealth Fund have consistently found significant and similarly sized reductions in the uninsured rate in 2014, with at least 8 million to 10 million previously uninsured adults gaining health coverage.<sup>35</sup> Most recently, a study published in *The New England Journal of Medicine* found a significant decline in the uninsured rate of 5.2 percentage points among

adults ages 18 to 64 through mid-2014, which coincides with the initial open enrollment period under the ACA and represents 10.3 million people gaining health insurance coverage.<sup>36</sup>

For low-income Americans, declining rates of the uninsured in the states that have opted to expand Medicaid under the law are especially encouraging and are another example of the how policy choices make a direct difference in individual lives. There are now 28 states, as well as the District of Columbia, that have opted to expand Medicaid coverage as of September 2014.<sup>37</sup> Take, for example, Kentucky, where 290,000 low-income residents have signed up for health coverage as of April 2014.<sup>38</sup> While there were 17 counties in Kentucky with uninsured rates above 17 percent in 2012, it is now reported that there are potentially no counties with rates that high. Now, there are only two counties that have uninsured rates in the 14 percent to 17 percent range. Additionally, Kentucky is already seeing an increase in the use of preventative care and screening health services, which should result in improved outcomes in the future.<sup>39</sup> This is only one example of the positive change taking place across the country.

Unfortunately, there are well more than 4 million low-income people nationwide who will not yet experience positive results such as those seen in Kentucky because their state has chosen not to expand Medicaid coverage. In these states, many adults living below poverty



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will fall into a so-called coverage gap and receive no assistance at all under the law.<sup>40</sup> Early data are already showing the positive effects of Medicaid expansion for low-income Americans in the states that made the right decision to

opt-in. The states that continue to refuse this vital coverage for their low-income residents are callously refusing to make the health and economic security of their citizens a priority.

## Let's build on local momentum and make poverty reduction a national priority

Each year, the Half in Ten campaign looks to key indicators of economic security and opportunity to serve as a compass. What we learn from them guides the work we do with our grassroots partners across the country to push for the policy changes that we know will move these indicators in the right direction and improve the lives of low-income Americans and, in turn, all Americans. The good news is that the national poverty rate started to edge down and the child poverty rate declined significantly in 2013. The bad news is that incomes remain stagnant with high levels of income inequality remaining stubbornly stuck in place. Although many of the indicators remain frustratingly stagnant or moving in the wrong direction in 2013, it does not mean that Americans are not mobilizing across the country to do something about it. Progress on positive policy change at the national level is a mix of backward and forward steps: backward—reductions in unemployment and food benefits by Congress; forward—the Obama administration improvements in wages for federally contracted workers and in consumer protections. At the state and local level, progressive advocates have been

making serious and important progress in their own communities by raising their minimum wage, passing paid family and sick leave policies, and expanding health care to their low-income residents by taking full advantage of Medicaid expansion under the ACA, among others successes.

It is time to take these efforts to the next level. We need to build on this local momentum and success and make dramatic poverty reduction a national priority. As we move toward the upcoming presidential election in 2016, the time to begin setting the agenda for tomorrow is today. We can use this opportunity to give the American public clear choices about our future economic prosperity. We set the goal for our campaign because we have already proven as a nation that we can cut poverty in half. A half-century 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. We did it then, so let's do it again.

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## CHAPTER ONE

# Poverty in the United States today

Charting our nation's progress on poverty and income inequality

*By Melissa Boteach • November 2014*



Lyle's Cafe owner Barbara Johnson of Winthrop, MN, calls for an increase in Minnesota's minimum wage at the State Capitol in St. Paul, April 29, 2013.

AP PHOTO/JIM MONE, FILE

*The Great Recession technically ended in June 2009, when the economy started to grow again. But five years after the worst economic downturn since the 1930s, millions of Americans are still struggling with long-term unemployment<sup>1</sup> and stagnant wages.<sup>2</sup> There was some progress in the poverty rate last year, as it fell from 15 percent in 2012 to 14.5 percent in 2013. Children saw especially strong gains, with poverty rates falling nearly 2 percentage points from 21.8 percent in 2012 to 19.9 percent in 2013.<sup>3</sup> There was no statistically significant improvement, however, in the number of Americans living in poverty, and the gains from economic growth remain concentrated at the top of the income spectrum.<sup>4</sup>*





*Unfortunately, declining middle-class incomes and rising poverty characterized the years leading up to the Great Recession, even as corporate profits and productivity rose.<sup>5</sup> The financial crisis and slow recovery therefore represent yet another deep hit on an already battered working class.*

*This lack of progress is a symptom of an off-kilter economy in which the few have rigged the game against the many. And after years of flat indicators, one might begin to believe that chronic economic insecurity is the new normal and that heightened levels of poverty and inequality are inevitable in today's economy.*

*The good news is that the fast-food workers on strike across the country,<sup>6</sup> the home care workers organizing for fair wages,<sup>7</sup> and the coalition that brought a \$15 per hour minimum wage to Seattle, Washington, refuse to accept the status quo.<sup>8</sup> These everyday heroes know that the current state of affairs is the direct result of policy choices the country has made. But they also know that when citizens organize to hold elected officials accountable, everyday people can change the course of history.*

As Congress remains gridlocked on key, popular measures that would move the poverty indicators in the right direction, social movements are sprouting up across the country to improve local and state policy and build the drumbeat for policy change on the national level. The Obama administration has also enacted key executive actions that are moving policy in the right direction.

This chapter examines three indicators of poverty: traditional poverty rate; supplemental poverty rate; and income inequality as measured by the distribution of income across quintiles. It then reviews key breakouts and trends in the data over the past year and opportunities to move the numbers in a positive direction, lifting up examples of policy choices and local movements that are building momentum for national change.

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## Some progress on poverty, but chronic economic insecurity persists

The poverty rate stood at 14.5 percent in 2013, a slight decline from the 2012 rate of 15 percent.<sup>9</sup> This translates to 45.3 million Americans living below the federal poverty line of \$18,552 per year for a family of three.<sup>10</sup> Four years after the economy started recovering, the poverty rate is 2 percentage points higher than it was at the onset of the Great Recession.<sup>11</sup>

While gross domestic product, or GDP, has grown an average of 2.2 percent<sup>12</sup> since the peak of the recession in June 2009, the gains have not yet translated into job and wage growth that is strong enough to make a more significant dent in the poverty rate.

As the “More Good Jobs” chapter shows, the unemployment rate fell again this past year. However, the share of workers who are long-term unemployed remains high, with nearly one-third of the unemployed out of work for at least six months as of August.<sup>13</sup> And rather than making investments to create jobs last year, Congress instead allowed both a government shutdown and across-the-board cuts, known

as sequestration—costing the economy jobs, undermining economic recovery, and denying services such as Head Start and child care to low-income children and families.

While Congress’ failure to renew unemployment benefits in 2014 is not reflected in the most recent poverty and income data, the “Family Economic Security” chapter illustrates that this inaction is having a sharp and painful effect on the millions of Americans still looking for work in an economy that is not producing enough jobs.

In addition to insufficient jobs, low wages and stagnant incomes have also played a key role in keeping families trapped in poverty. In August, low-wage industries such as food services, retail, long-term care, home health care, and temporary help comprised 37 percent of new jobs added to the private sector.<sup>14</sup> As the economy slowly recovers, improving job quality and boosting wages must be a central strategy to ensure that the gains of economic growth reach struggling families.

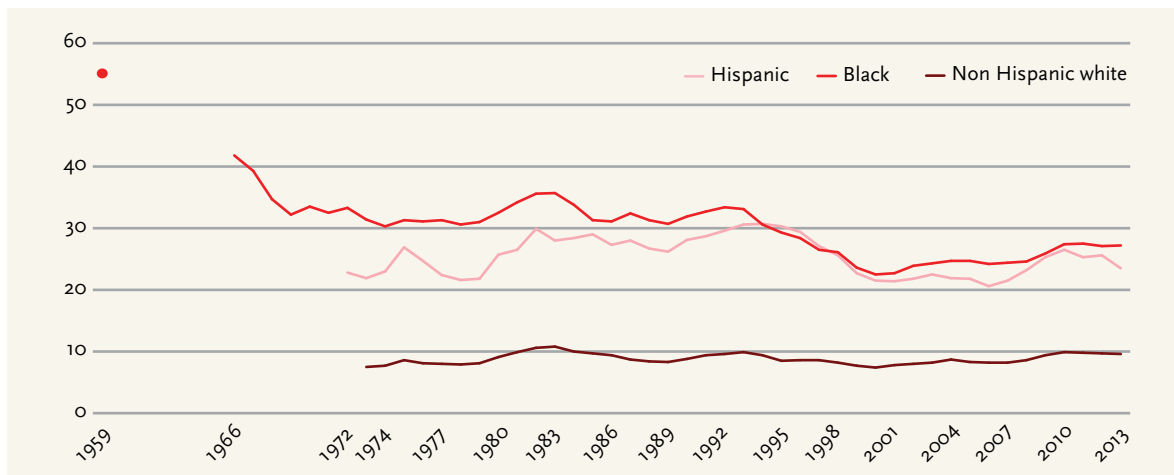
## Racial, ethnic, and gender disparities: Some improvement in past decades but a long road ahead

The poverty rate is too high across the board. But certain groups, including women and people of color, have been hit harder than others.

Fifty years after the passage of the Civil Rights Act of 1964, it is important to acknowledge the progress that has been made in cutting poverty, particularly for African Americans. From

*Figure 1: Poverty has fallen considerably among African Americans, but disparities remain*

**POVERTY RATE BY RACE AND ETHNICITY**



Source: Bureau of the Census, *Current Population Survey Annual Social and Economic Supplement* (U.S. Department of Commerce, 1959–2012), Historical Poverty Table 3.

1966 to 2013, the share of the private-sector workforce comprised of people of color rose from 11.2 percent to 29.7 percent, and women's share grew from 31.2 percent to 48.2 percent.<sup>15</sup> Black poverty rates fell from 55 percent in 1959 to 27.2 percent in 2013,<sup>16</sup> due partly to greater civil rights protections and opportunities in the labor market.<sup>17</sup> And Latinos were the only racial or ethnic group to register a statistically significant decrease in their poverty rate, which fell to 23.5 percent in 2013 from 25.6 percent in 2012.<sup>18</sup>

However, there is still work to do. People of color are still significantly more likely to live in areas of concentrated poverty (see “Tackling place-based and concentrated poverty” text box), to

face employment discrimination, and to bear the brunt of policies that have led to mass incarceration. For women, the workplace has not caught up to the reality of their participation in the labor market, an important factor in explaining the persistent gender wage gap, which held steady at roughly 78 percent in 2013—that is to say, the average woman earned 78 cents to the average man's \$1.<sup>19</sup> Furthermore, the United States is the only developed country with no paid family or sick leave, forcing workers to make impossible choices between their work and family responsibilities.<sup>20</sup> And working-age women saw no change in their poverty rate in 2013; in fact, there was a statistically significant increase in the poverty rate for elderly women, rising to 11.6 percent from 11 percent in 2012.<sup>21</sup>



These disparities are not just problematic for women and people of color, but also affect our overall economy. By 2042, people of color will be the majority of the nation's workforce.<sup>22</sup> Allowing racial and ethnic disparities to linger now will undercut our economic competitiveness in the future. Similarly, closing the gender

pay gap would cut the poverty rate for working women and their families in half and add nearly half a trillion dollars to the GDP.<sup>23</sup>

Fifty years after the passage of the Civil Rights Act, we must build on past successes and continue working to close disparities.



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## One in three Americans is living on the economic brink

The poverty rate is useful because it underscores just how low incomes have fallen for a large number of Americans. However, twice the poverty threshold, or about \$37,104 per year for a family of three, is a measure that is more consistent with what economists and the public think it takes to make ends meet.

Using this measure of economic insecurity, 33.9 percent of the population, or 106 million Americans, are living on the economic brink—just one missed paycheck, one sick child, or one broken-down car away from poverty.<sup>24</sup>

The vast majority of Americans experiencing such economic insecurity live in households with one or more workers.<sup>25</sup> As the “More Good Jobs” chapter explains, these jobs are typically poorly compensated with workers not only earning well below twice the poverty line, but also lacking basic benefits such as health coverage and paid sick days, as well as any sort of flexible or predictable schedule that would enable breadwinners to balance work and family responsibilities.

In fact, households in the bottom 40 percent of the income distribution—those with annual

incomes below \$40,187—have not seen any real increase in their income since the early 2000s, even as incomes for those at the top have grown and fully recovered from the Great Recession.<sup>26</sup>

Given that the vast majority of Americans, including those at the bottom of the income scale, rely on their paychecks and work-related benefits as their primary source of income,<sup>27</sup> wage stagnation is an important variable linked to the lack of progress on improving economic security and cutting poverty. More and better jobs must be a central pillar in any poverty reduction strategy.

### *Tackling place-based and concentrated poverty*

For millions of Americans, opportunities for a better future are limited simply because of the ZIP code where they grew up or now live. From urban centers to tribal and rural communities, decades of neglect and failed public policies have contributed to pockets of concentrated poverty across the country. According to the 2010 U.S. Census, more than 25 percent of Americans, some 77 million people, lived in high-poverty census tracts, defined as communities where the poverty rate was 20 percent or higher.<sup>28</sup> According to the 2008 to 2012 American Community Survey, or ACS, more than 12.4 million Americans live in severely distressed neighborhoods where the poverty rate is 40 percent or higher.<sup>29</sup> Furthermore, low-income people of color make up a disproportionate number of residents in distressed areas: more than 16.4 percent of low-income Latinos and 23.6 percent of low-income African Americans compared with just 7.1 percent of low-income whites.<sup>30</sup>

These statistics are especially troubling as decades of research shows that living in distressed communities inhibits upward mobility, increasing the likelihood that families will face inferior housing, poor health outcomes, failing schools, inadequate public infrastructure, and few employment opportunities.<sup>31</sup> In fact, even when income is held constant, families living in areas of concentrated poverty are more likely to struggle to meet basic needs, including food and housing, than their counterparts who live in more affluent areas.<sup>32</sup> Fortunately, policymakers are increasingly moving toward a comprehensive set of strategies to ensure that all communities offer opportunities conducive to their residents’ success.

Federal investments in nutrition, health, education, and job training have been critical in mitigating or preventing poverty and its accompanying hardships

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for millions of Americans. Likewise, so-called place-based programs—or efforts focused on improving communities—allow local leaders to make complementary investments in affordable housing and infrastructure and in creating greater economic opportunity.<sup>33</sup> For instance, the Obama administration’s Promise Zones initiative is designed to revitalize high-poverty communities through comprehensive, evidence-based strategies that help local leaders navigate federal funding. Promise Zone designees receive priority access to federal resources to support job creation; increase economic security; expand educational opportunities; increase access to quality, affordable housing; and improve public safety.<sup>34</sup>

Local leaders are also incorporating innovative strategies into their work. Many cities, for example, are working with their anchor institutions, such

as universities or hospitals, to tap into the billions of dollars these entities spend on goods and services, as well as their investments in developing the surrounding communities.<sup>35</sup> The goal of these partnerships is to create pipelines to the many local jobs these institutions create. In addition, some communities are building resilience to extreme weather into their community development work in order to ensure that as communities improve, they can withstand the growing threat of climate change.<sup>36</sup>

While the United States is often called the land of opportunity, opportunities for a better future remain limited for many communities across the country. The lasting effects of concentrated poverty require federal and local leaders to work together to support comprehensive strategies whose effects will endure across generations.

## Deep poverty persists amid economic recovery

**O**f the 45.3 million Americans living below the poverty line, 19.9 million individuals or 43.4 percent of poor Americans have incomes so low that they are living below half the poverty line. Those living in this kind of poverty earn less than \$9,276 per year for a family of three.<sup>37</sup> As noted by the Urban Institute in an overview of deep poverty published earlier this year, families living with such low incomes are more likely to face mul-

tiiple challenges to employment and economic mobility, including factors such as disability, a criminal record, poor health, and addiction.<sup>38</sup> While these individuals and their families may fluctuate above and below half the poverty line, they are less likely to escape poverty altogether.

Moreover, U.S. labor policies are not particularly sympathetic to people who have multiple barriers to work. A low-wage worker caring for

a disabled or chronically ill child is unlikely to have any form of paid sick or family leave.<sup>39</sup> Parents with a criminal record will likely struggle to find employment, educational opportunities, and stable housing, even after they have served their time.<sup>40</sup> And unpredictable or inflexible scheduling practices can make it difficult for parents of young children to hold down a steady job.<sup>41</sup>

The nation's safety net has become more supportive of work over time, as policies such as the Earned Income Tax Credit, or EITC, relieve some of the financial pressure of low-wage work. Medicaid expansion in states that have opted into the Affordable Care Act means that workers will not lose their health coverage

if they get a raise.<sup>42</sup> However, despite these advances, there are still too many cases in which the safety net has become less supportive of families who are out of work or cannot work. For example, Temporary Assistance for Needy Families, or TANF, does not lift a family above even half of the poverty line in any state, and a family is not guaranteed the supports and wraparound services that are often necessary to meet the work requirements of the program.<sup>43</sup> Likewise, affordable housing programs can be critical for this population, but these programs only serve one in four eligible households.<sup>44</sup> In this context, the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, is an increasingly important support for families in deep poverty, ensuring



Larry Bossom, 41, who lost his job a few months ago, leaves the St. Ignatius Food Pantry with bags of items, November 1, 2013, in Chicago, IL.

ASSOCIATED PRESS/M. SPENCER GREEN



that at a minimum, these families have resources to purchase food. In fact, SNAP lifts more children out of deep poverty than any other program,<sup>45</sup> but it has suffered deep cuts in the past year. In November 2013, a family of three lost \$29 per month in food benefits.<sup>46</sup> In 2014, Congress cut an additional \$8.6 billion over

10 years from the program, translating into a cut of \$90 per month for several hundred thousand households.<sup>47</sup>

All of these factors should serve as a warning sign that the Opportunity Grant proposal—House Budget Committee Chairman Paul Ryan’s (R-WI) latest plan to combat poverty, set forth in July—would actually exacerbate poverty and inequality. Rep. Ryan’s plan would enable states to take resources currently designated for affordable housing and nutrition assistance and put them into case management, or individualized services for low-income families.<sup>48</sup> While case management can be helpful for a specific population of families, Rep. Ryan’s plan makes no guarantee of access to services,<sup>49</sup> undermines the nation’s bedrock nutrition assistance program, cuts existing case-management funding through the elimination of the Social Services Block Grant, and compromises funding for the



Jennifer Donald, whose family receives money from the Supplemental Nutrition Assistance Program also known as food stamps, looks at her son's Donovan, 4, drawing as his brother David, 6, left, does his home work and daughter Jayla, 10, helps prepare dinner in Philadelphia, PA, October 8, 2013.

ASSOCIATED PRESS/MARY ALTAFFER

very services that people would ultimately need to move out of poverty, such as child care.<sup>50</sup> Rep. Ryan’s plan would also put the same kinds of work requirements that TANF has on other programs without ensuring that families can access a job and the work supports they need in order to address barriers to employment.

The combination of an inhospitable labor market and a work-focused safety net leave many of the country’s most vulnerable families mired in poverty. Moreover, half of those living in deep poverty are under age 25 and more than one-third are single mothers and their children.<sup>51</sup> Therefore, it is imperative that policies to tackle deep poverty address the deprivation that these young people face, which can result in long-term health and educational consequences, and provide greater opportunities for upward mobility through better labor-market and educational opportunities.

## *Rebecca Johnson, 32, Barnesville, Minnesota*

As a young, single mother, public assistance programs enabled me to now be educated, self-sufficient, and give back to help others get out of poverty.

Head Start helped educate my son and identified that he had a behavioral issue—which, once addressed, enabled him to be successful in elementary school and to no longer require an Individual Education Plan. Food Stamps [or, Supplemental Nutrition Assistance Program benefits] allowed me to feed my son an adequate diet. Child care assistance allowed me to continue my pursuit of a college degree, as well as work.

Things were very difficult during the final year of my bachelor's degree when my college courses no longer counted toward the work hours required to maintain child care assistance. In order to take full-time classes plus work full time, I had to rely on my parents to take my son many evenings and weekends. Without their support, I never would have been able to finish my degree and move on to a job that paid a living wage.

Other women who do not have that informal support system or who struggle with disabilities that would limit their ability to work and take classes full time are stuck in a cycle of poverty that is nearly impossible to escape.

Today, I have a master's degree, I own a home, and I have a good job as a social worker. I am eternally grateful for the opportunities those programs gave me.

## Supplemental poverty data underscore the fact that the safety net is lifting millions out of poverty

The supplemental poverty rate stood at 15.5 percent in 2013, a statistically significant decline from the rate of 16 percent in 2012.<sup>52</sup> This means that 48.7 million people lived in poverty in 2013, according to a mea-

sure that differs from the traditional rate in important ways.<sup>53</sup>

The traditional poverty rate is based on the measure put in place in 1963 using 1950s con-

sumption data. Basically, food was about one-third of the average American family's budget at that time, so the poverty threshold was set by taking the cost of a very basic 1950s food basket, multiplying it by three, and indexing it to inflation.<sup>54</sup> Using this measure, a family is considered to be in poverty if its cash income—not including taxes or noncash public benefits—is below that line, which is \$18,552 per year for a family of three today.

The supplemental poverty measure differs in several key ways. First, the threshold is determined by taking into account the cost of basic needs such as food, housing, and utilities, set at a very basic level. In determining whether a family falls below the poverty line, the supplemental measure subtracts taxes, child support paid, work-related expenses such as child care and transportation, and medical out-of-pocket costs from a family's income. However, income that the family receives from work and income supports such as SNAP, the EITC, and affordable-housing assistance are added to their income, showing the extent to which these policies worked to cut or mitigate poverty and hardship.<sup>55</sup>

The fact that the supplemental poverty rate has remained relatively unchanged over the past several years reflects that the safety net continues to play a large role in lifting millions of families out of poverty but indicates that the labor market has not yet improved enough to make further strides. The data show that in 2013, SNAP kept 5.0 million people out of poverty, refundable tax credits such as the EITC kept 9.1 million people out of poverty, and affordable housing kept 3.1 million people

*Figure 2: Supplemental poverty measure calculates impact of federal programs*

#### PEOPLE KEPT OUT OF POVERTY BY INDIVIDUAL PROGRAMS

Refundable tax credits: <b>9.1 MILLION</b>	Special Supplemental Nutrition Program for Women, Infants, and Children: <b>0.6 MILLION</b>
Supplemental Nutrition Assistance Program: <b>5.0 MILLION</b>	Low-Income Home Energy Assistance Program: <b>0.3 MILLION</b>
Supplemental Security Income: <b>4.1 MILLION</b>	
Housing subsidies: <b>3.1 MILLION</b>	
Unemployment insurance: <b>2.2 MILLION</b>	<b>FACTORS PUSHING PEOPLE INTO POVERTY</b>
School lunch: <b>1.6 MILLION</b>	Medical out-of-pocket costs: <b>11.0 MILLION</b>
Temporary Assistance for Needy Families/general assistance: <b>0.9 MILLION</b>	Work expenses: <b>6.0 MILLION</b>



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 the individual impacts. Because the supplemental poverty measure does not count Medicaid and Medicare as income or include the cost of healthcare in calculation of the SPM threshold, the anti-poverty impact of public health insurance, while likely substantial, is not estimated.

Source: Bureau of the Census, *The Research Supplemental Poverty Measure: 2013* (U.S. Department of Commerce, 2014), Table 5a.

out of poverty.<sup>56</sup> In contrast, medical out-of-pocket costs and work-related expenses pushed 11.0 million and 6 million people into poverty, respectively.<sup>57</sup>

These numbers should cause policymakers to sit up and take notice. The supplemental poverty measure underscores that the choices before them could make a significant dent in the poverty rate. Positive actions that policymakers can take include:

- Expand Medicaid, which would help relieve some of the out-of-pocket costs plaguing low-income families.

- Invest in child care and pre-K, such as through the bipartisan Strong Start for America's Children Act, which would reduce the extent to which work-related costs push families into poverty.
- Expand the EITC for adults without qualifying children and make permanent the 2009 improvements to the EITC and Child Tax Credit, which are currently slated to expire in 2017. The EITC has already proven itself as a powerful anti-poverty tool, and the time has come to build on that success.
- Support SNAP and its track record of keeping families out of poverty. Policymakers should avoid further cuts to the program and instead focus on boosting benefit adequacy, consistent with recommendations from the Institute of Medicine.<sup>58</sup>

Recent research by Columbia University, which examines supplemental poverty data dating back to the 1960s, shows that the poverty rate fell from 26 percent in 1967 to 16 percent in 2012,<sup>59</sup> mostly due to the anti-poverty effects of the safety net. In fact, without the safety net, approximately 39 million more Americans would be in poverty today and the poverty rate would be 28.1 percent—or more than 80 percent higher than its current levels.<sup>60</sup>

These data underscore the powerful anti-poverty effects of the safety net but also show that the labor market has not been doing its share in lifting people out of poverty. We need more jobs and better wages, alongside investments in the safety net, to make significant progress in cutting poverty in half.

## The rich grow richer as income and wealth stagnate or decline for low- and middle-income families

High levels of income inequality, as measured by the income distribution in the economy, remained locked in place from 2012 to 2013.

The top 20 percent of Americans brought 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 40 percent of workers brought in just 11.5 percent of all income.<sup>61</sup>

The census income data show the extent to which inequality is affecting the share of income captured by low- and middle-income households, but it does not tell the story of the concentration of income and wealth at the very top of the income spectrum. Research by economists Thomas Piketty and Emmanuel Saez that relies on tax data going back to 1913 sheds some light on the long-term trends of concentration of income and wealth. According to Piketty and Saez, the top 10 percent of U.S.



earners brought in the largest amount in nearly 100 years in 2012.<sup>62</sup> Furthermore, in the first three years of the economic recovery from 2009 to 2012, the top 1 percent captured 95 percent of all income gains.<sup>63</sup>

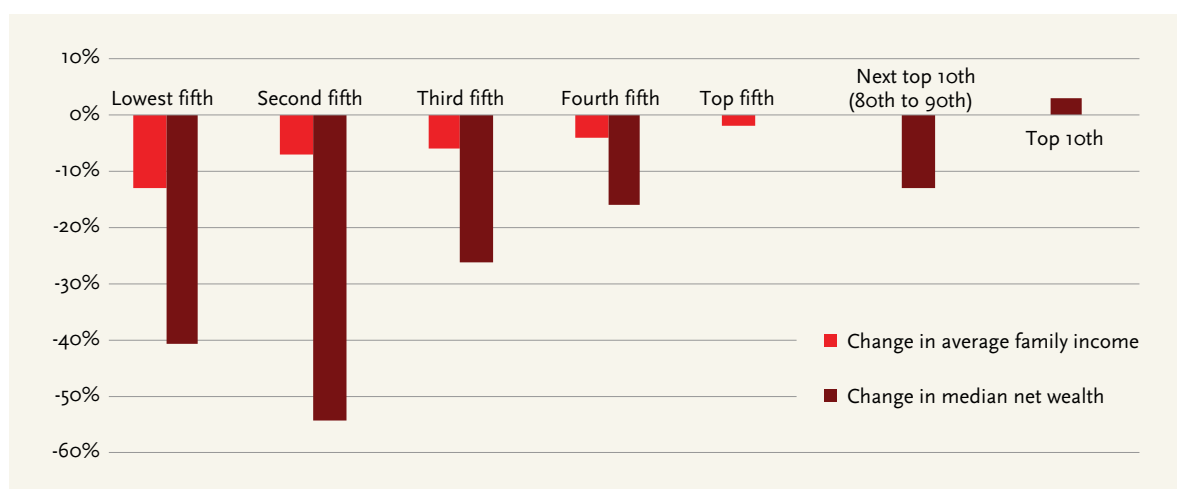
Income inequality is directly related to rising poverty and the decline of the middle class, as the gains from economic growth concentrate at the top of the income scale and incomes for low- and middle-income Americans flatten or decline. Flat wages mean that low- and middle-income families often must borrow to keep pace with the rising costs of basic goods and to afford the pillars of family economic

security, such as child care and health care. This leaves families more vulnerable to economic shocks, which can send them spiraling below the poverty line. Widening income inequality is a destabilizing force in the American economy, leaving large swaths of people subject to chronic economic insecurity and debt.

Moreover, as Figure 3 shows, increasing income inequality has taken place alongside an increase in wealth inequality, with families in the bottom 40 percent of the income distribution experiencing particularly large declines in net wealth between 2001 and 2013.

*Figure 3: Low- and middle-income families have lost ground in both income and wealth*

**PERCENTAGE CHANGE IN AVERAGE FAMILY INCOME AND MEDIAN NET WEALTH BETWEEN 2001 AND 2013, BY INCOME QUINTILE**



Source: Bureau of the Census, *Current Population Survey Annual Social and Economic Supplement* (U.S. Department of Commerce, 1959–2012), Historical Poverty Table 3.



People wait in line to meet with recruiters during a job fair in Philadelphia, PA, June 23, 2014.

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Income inequality is also connected to the poverty indicators detailed on page 15. The 14.5 percent of Americans in poverty in 2013 are but a point-in-time estimate of the chronic economic insecurity faced by the majority of the population at some point during their working years. Census data that track families over time show that nearly one in three people—31.6 percent—experienced at least a two-month spell of poverty from 2009 to 2011, while only 3.5 percent of the population was in poverty all three years.<sup>64</sup> And a recent analysis by Mark Rank, a professor of social welfare, and colleagues underscores that more than half of all Americans will experience at least one year of poverty or near poverty at some point during their working years.<sup>65</sup> When adding in a year or more of unemployment or

turning to the safety net, that figure rises to nearly four out of five Americans.<sup>66</sup>

This churning in and out of poverty is critical to understand because one reason that there is insufficient political force behind cutting poverty is that politicians misperceive and therefore marginalize it as an issue. Similarly, the poor are misperceived and marginalized as only encompassing the same 15 percent of Americans, when the reality is much more far reaching. When four in five Americans are at risk of economic hardship and that shared fragility is widely understood and mobilized into a political force demanding greater economic security, Congress will sit up, take notice, and finally begin to make the reforms and investments necessary to tackle America's poverty crisis.

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## Building momentum for change

**E**ven with a gridlocked Congress, people across the country are refusing to accept the status quo and are organizing for change.

In the past year alone, 10 states and the District of Columbia increased their minimum wage, and fast-food workers across the country began striking for a living wage.<sup>67</sup> California adopted statewide paid sick days legislation this summer.<sup>68</sup> And, as part of the Work Support Strategies project, a bipartisan group from six states is working to streamline access to work and income supports so that low-wage workers and families can better connect with the help they need to achieve economic security.<sup>69</sup>

Moreover, the Obama administration is working to improve access to good jobs in the absence of congressional action. For example, the president signed an executive order in July requiring companies to comply with labor laws

if they want to receive federal contracts, as well as to disclose any past violations of wage and safety laws, and other worker protections.<sup>70</sup>

Companies that have poor records of complying with workplace laws will no longer receive federal contracts.<sup>71</sup> Given that the U.S. federal government is the largest purchaser of goods and services in the world and that one in five workers are employed by a company that contracts with the federal government, this executive order will improve job quality for millions of workers and has the potential to set standards for the broader workforce.<sup>72</sup>

President Barack Obama has also issued an executive order establishing a minimum wage of \$10.10 per hour for federal contractors,<sup>73</sup> as well as new employment protections that prohibit companies that receive federal contracts from discriminating against lesbian, gay, bisexual and transgender, or LGBT, workers.<sup>74</sup>

### *Tipped workers and poverty*

Tipped workers—that is, those who typically receive \$30 or more per month in tips—are subject to a different minimum wage than other workers under federal labor standards. The federal tipped minimum wage has been fixed at \$2.13 per hour since 1991.<sup>75</sup> As a consequence of low pay, unpredictable income, and poor labor law enforcement, tipped workers are more than twice as likely as nontipped workers to live in poverty.<sup>76</sup>

Restaurant waitstaff, who make up a large share of tipped workers, are nearly three times more likely to be poor.<sup>77</sup>

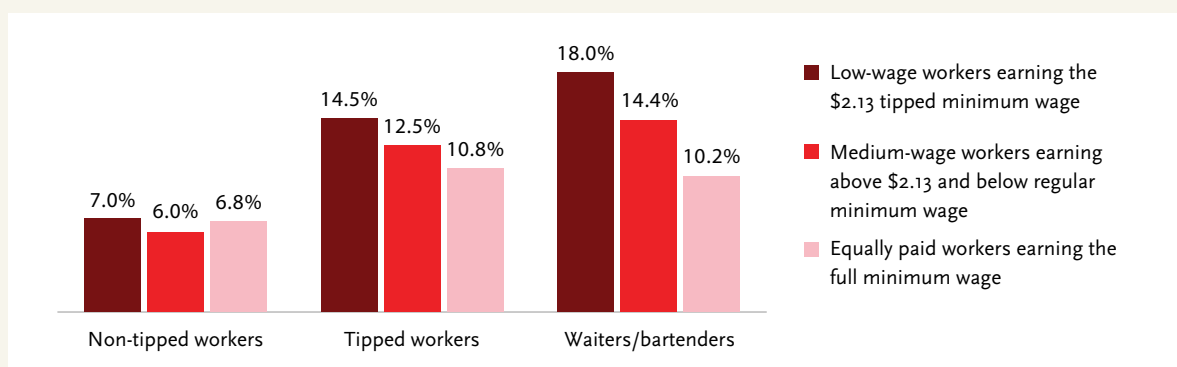
Thirty-one states and the District of Columbia maintain tipped minimum wages greater than \$2.13, and seven states require employers to pay tipped workers the full minimum wage.<sup>78</sup> In these seven states, tipped workers experience

significantly lower poverty rates: As shown below in Figure 4, 10.8 percent are poor, on average, compared with 14.5 percent in states with \$2.13 tipped minimum wages. This discrepancy is even greater among waiters and bartenders: 10.2 percent live in poverty compared with 18 percent in states

that maintain the \$2.13 tipped minimum wage. Coupled with recent research finding that higher minimum wages do not lead to job loss, this suggests that tipped-minimum-wage policy can play an important role in alleviating poverty among low-wage service workers.<sup>79</sup>

*Figure 4: Poverty rates of nontipped workers, tipped workers, and waiters and bartenders, by state tipped-minimum-wage level*

**POVERTY IS HIGHER FOR TIPPED WORKERS IN STATES WITH LOWER TIPPED MINIMUM WAGES**



Note: Analysis of the Current Population Survey Annual Social and Economic Supplement, 2010-2012.

Source: Sylvia A. Allegretto and David Cooper, "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage" (Washington: Economic Policy Institute and Center on Wage and Employment Dynamics, 2014), available at <http://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/>.



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## State and local innovation is not a replacement for national action

While local and state progress and innovation is important to improve the lives of struggling families and build momentum for national change, it is not a substitute for federal legislation to reduce poverty.

Without national policy change, large swaths of the American public will be left behind. As of September, the states that have failed to expand Medicaid are leaving more than 4 million eligible people without this critical health coverage.<sup>80</sup> These states generally have a higher poverty rate and lower existing levels of adult Medicaid eligibility than states that have taken up the expansion.

Furthermore, many of the states that are failing to make progress on poverty and other indicators of economic progress have large and growing populations. While Seattle's minimum-wage increase will help thousands of working families in Washington state, it cannot, for example, move the numbers in a positive direction in

Texas—a state that represented approximately half of the nation's child-population growth between 2000 and 2010.<sup>81</sup>

Finally, the federal government is uniquely situated to act in certain areas of jurisdiction, either because of its unique constitutional role or because it is the only institution with the capacity to make certain kinds of investments or reforms. The Constitution, for example, grants the federal government unique powers with respect to immigration policy. As noted in the "Strengthening Families" chapter, while President Obama can and must act through executive action in order to relieve some of the suffering associated with the nation's broken immigration system, Congress will ultimately need to pass legislation that not only provides resources to address the current influx of unaccompanied children from Central America, but also provides a path to legalization for the millions of unauthorized immigrants living and working in the shadows.

## Recommendations

The chapters that follow will outline specific recommendations to cut poverty and expand economic opportunity. The data underscore that our safety net is successfully lifting millions out of poverty, but we still must invest in job creation, strengthen basic labor standards, and update the social contract to keep pace with 21st century realities if progress is to be made.

Above all, it is important to note that the stagnant indicators are unacceptable but not inevitable.

With only slight declines in the poverty rate and income inequality stuck at historically high levels, it can be easy to assume that chronic economic insecurity and an off-kilter economy

are the new normal and that nothing can be done to fix it.

But there is nothing normal or inevitable about elevated levels of poverty. Rather, they are the direct result of policy choices that have concentrated wealth and income in the hands of a few at the expense of growing a strong middle class.

The good news is that with different policy choices, we can see different outcomes. When the government invests in jobs and policies to increase wages and family economic security, children and families see improved outcomes, both in the short term and the long term.

For example, a recent study of the rollout of the Food Stamps Program, now known as SNAP, found that individuals who had access to food stamps as children—or whose mothers received food stamps while pregnant—experienced decreased rates of obesity, high blood pressure, and diabetes in adulthood.<sup>82</sup> In addition, food stamps have generated greater economic self-sufficiency among women: Girls whose families received food stamps in their childhood had higher educational attainment, earnings, and income in adulthood than girls in low-income families who were not able to access the program in their early years.<sup>83</sup>

Another study underscores how the expansion of public health programs has improved children's health in the short and long run.

Medicaid expansions, for example, lowered child mortality more than 5 percent and reduced the incidence of low birth weight, a key indicator of infant health.<sup>84</sup> Another study found that Medicaid and State Children's Health Insurance Program, or SCHIP, eligibility at birth led to higher standardized tests scores for reading ability in the fourth and eighth grades.<sup>85</sup>

Historically, the minimum wage is another policy tool that has successfully improved the lives of low-income families. Recent research by economist Arindrajit Dube evaluates the impact of states' minimum wages on family income over the past 23 years and finds that higher minimum wages significantly reduce both the incidence and depth of poverty.<sup>86</sup> Using these findings, Dube estimates that increasing the federal minimum wage to \$10.10 per hour would mean that at least 4.6 million fewer Americans would live in poverty.<sup>87</sup>

As these examples—along with a host of other research—demonstrate, strengthening and building upon these successful programs and policies constitutes an important investment in future generations.

While it is easy to feel hopeless and helpless in the face of stagnant indicators, it is important to draw upon past successes and the energy of current social movements to build momentum for national policy change to cut poverty in half in 10 years.



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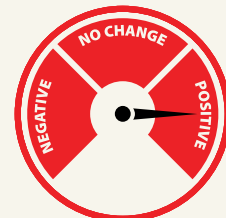
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# Indicators

## 1 POVERTY RATE

About 45.3 million Americans lived below the poverty line last year. The percentage of people with incomes below the poverty line—\$18,552 for a family of three in 2013—fell from 15 percent in 2012 to 14.5 percent in 2013. These measures do not account for the impact of the Earned Income Tax Credit, nutrition assistance, and other noncash benefits on income. For example, if SNAP benefits had been counted as income, the U.S. Bureau of the Census estimates that about 3.7 million fewer people would have had income below the poverty line in 2013. 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 federal poverty line, policymakers need to focus on job creation, investment in people, and improving the minimum wage and other labor standards. 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.



# 14.5%

OR 45.3 MILLION  
PEOPLE HAD  
INCOMES BELOW THE  
FEDERAL POVERTY  
LINE IN 2013

### a Non-Latino whites are the largest group of people living below the poverty line, but Latinos and blacks have higher rates of poverty

People with income below poverty line by race and Hispanic origin, 2013

In thousands	Total people	Number below poverty	As percent of number below poverty	Poverty rate
Total people	312,965	45,318		
<b>Race and Hispanic origin</b>				
White, Not Hispanic	195,167	18,796	41.5%	9.6%
Hispanic (any race)	54,145	12,744	28.1%	23.5%
Black	40,615	11,041	24.4%	27.2%
Asian	17,063	1,785	3.9%	10.5%

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.

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

People with incomes below poverty line by gender, age, and disability, 2013

	Total (in 1000s)	Number Below Poverty	As % of All People Below Poverty	Poverty Rate
Children	73,625	14,659	32.3%	19.9%
All ages 18 to 64	194,833	26,429	58.3%	13.6%
Elderly	44,508	4,231	9.3%	9.5%
Men ages 18-64	96,117	11,354	25.1%	11.8%
Women ages 18 to 64	98,716	15,075	33.3%	15.3%
Disability ages 18 to 64	15,098	4,352	9.6%	28.8%
No disability ages 18 to 64	178,761	22,023	48.6%	12.3%
Men ages 65+	19,763	1,349	3.0%	7%
Women ages 65+	24,745	2,882	6.4%	12%

Source: Bureau of the Census, *Current Population Survey, Annual Social and Economic Supplement* (U.S. Department of Commerce, 2014). Calculated by CAP using Bureau of the Census, "CPS Table Creator," available at <http://www.census.gov/cps/data/cpstablecreator.html> (last accessed August 2014).

## 2 SUPPLEMENTAL POVERTY RATE

Using the Census Bureau's supplemental poverty measure, the poverty rate was 15.5 percent in 2013, down from 16 percent in 2012. The supplemental poverty measure counts more benefits as income than the official poverty measure, subtracts some work-related and medical expenses, and uses an updated poverty threshold.

Table a shows the effect of benefits and expenses on the number of people living below the supplemental poverty threshold in 2013. Social Security benefits, for example, made it possible for 27 million Americans to live above the supplemental poverty line, including 1.6 million children. At the same time, commuting and child care expenses pushed 6 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. Alongside more jobs with better wages, 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.



# 15.5%

OR 48.7 MILLION  
PEOPLE HAD  
INCOMES BELOW  
THE SUPPLEMENTAL  
POVERTY LINE IN 2013

### 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, 2013*

Change in millions of people above or below the supplemental poverty threshold				
Reductions in poverty due to:	All	Children	Adults ages 18 to 64	Elderly
Social Security	27.0	1.6	8.6	16.9
EITC and other refundable tax credits	9.1	4.7	4.1	0.1
SNAP	5.0	2.1	2.3	0.4
Unemployment insurance	2.2	0.7	1.2	0.1
Supplemental Security Income, or SSI	4.1	0.7	2.5	0.7
Housing assistance	3.1	1.0	1.6	0.5
Child support received	1.6	0.7	0.6	0.0
School lunch	1.6	0.7	0.6	0.0
TANF and general assistance	0.9	0.4	0.4	0.0
Women, Infants, and Children, or WIC	0.9	0.4	0.4	0.0
Workers compensation	0.9	0.4	0.4	0.0
Increases in poverty due to:				
Child support paid	-0.3	-0.1	-0.2	0.0
Federal income tax	-1.3	-0.1	-1.2	0.0
Federal payroll taxes	-4.7	-1.5	-3.1	-0.1
Commuting and child care expenses	-6.0	-1.9	-3.9	-0.2
Medical expenses paid out-of-pocket	-11.0	-2.3	-6.0	-2.8

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.

Source: Bureau of the Census, *The Research Supplemental Poverty Measure: 2013* (U.S. Department of Commerce, 2014), Table 5a.

# Indicators

## **b** *Percent of people with incomes below half of the poverty threshold in 2013*

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

	Official poverty measure	Supplemental poverty measure	Difference
All	6.5%	5.2%	-1.3%
Children	9.3%	4.4%	-4.9%
Nonelderly adults	6.2%	5.6%	-0.6%
Asian	5.2%	6.0%	0.8%
Black	12.3%	7.7%	-4.6%
Hispanic, any race	9.6%	7.0%	-2.6%
White, non-Hispanic	4.4%	4.1%	-0.3%

Source: Bureau of the Census, *The Research Supplemental Poverty Measure: 2013* (U.S. Department of Commerce, 2014), Table 3.

### 3 INCOME INEQUALITY

Income inequality remained high in 2013. The 40 percent of households with the lowest incomes received only 11.5 percent of overall income in 2013, a share not significantly different than in 2012. The top 5 percent of households took in 22.3 percent of overall incomes, about the same share as in 2011.

As figure a below shows, the real incomes of low- and middle-income households have yet to return to their pre-Great Recession levels and are also not much different today than in 1980. At the same time, as figure b shows, higher income households—particularly those in the 5 percent of the distribution—have seen substantial gains since 1980.

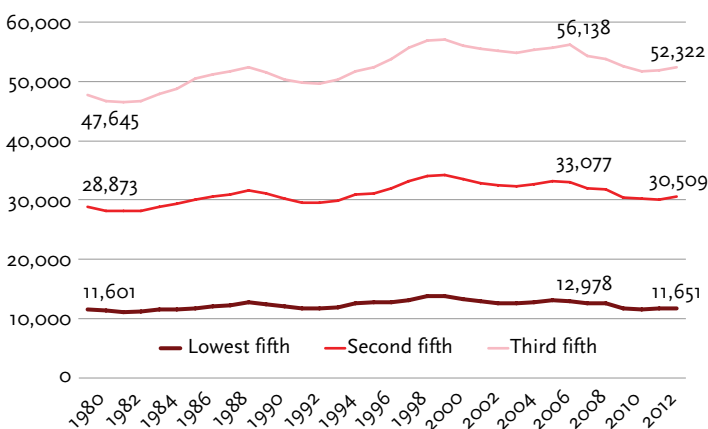
As with poverty, reducing inequality will require a renewed commitment to full employment and tax fairness; the strengthening of labor standards, such as the minimum wage and the right to bargain collectively; and investments in people's health and well-being.



**11.6%**  
OF OVERALL INCOME  
IN 2013 WAS RECEIVED  
BY THE BOTTOM  
40 PERCENT OF  
HOUSEHOLDS

#### a Average household income for low- and middle-income families

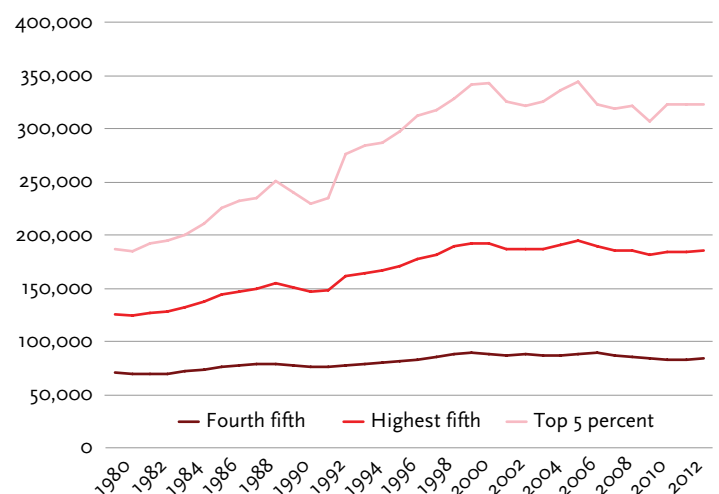
Average household income (2013\$) received by first three income quintiles, 1980 to 2013



Source: Bureau of the Census, Current Population Survey Annual Social and Economic Supplement (U.S. Department of Commerce, 2014), Historical Income Table H-3, Households.

#### b Average household income for higher-income families

Average household income (2013\$) received by top two income quintiles and top 5 percent, 1980 to 2013



Source: Bureau of the Census, Current Population Survey Annual Social and Economic Supplement (U.S. Department of Commerce, 2014), Historical Income Table H-3, Households.



CHAPTER TWO

# More good jobs

What we need to expand economic security  
over the next decade

*By Shawn Fremstad*



People wait in line to sign up for unemployment in Atlantic City, NJ, September 3, 2014.

ASSOCIATED PRESS/MEL EVANS

*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 of our good jobs indicators, particularly in the areas of unemployment and education. Still, the unemployment rate remains unacceptably high, and there has been little forward progress on improving wages and benefits for poorly compensated workers.*



*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 of our good jobs indicators, particularly in the areas of unemployment and education. Still, the unemployment rate remains unacceptably high, and there has been little forward progress on improving wages and benefits for poorly compensated workers.*

*President Barack Obama has proposed increasing the minimum wage along with a number of investments that would boost employment and reduce poverty. But obstructionists in Congress have stood in the way of these measures, despite broad public support. There have been, however, two bright spots over the past year: the administration's use of executive orders and other mechanisms to improve job quality; and successful campaigns in a growing number of states to increase the minimum wage and improve other basic labor standards at the state level.*

## Unemployment on the decline but still high

Since the publication of the Half in Ten 2013 annual report, the unemployment rate—Indicator 7—has continued to decline, falling from 7.2 percent in September 2013 to 5.9 percent in September 2014.<sup>1</sup> While lower than it was in 2013, unemployment remains far too high. To return to prerecession employment levels and also absorb new entrants to the labor force since 2007, we currently need about 5.6 million more jobs.<sup>2</sup> At our current pace of job creation, closing the jobs gap will take at least three more years.

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 11.8 percent as of September 2014.<sup>3</sup>

Slow progress is particularly notable among some of the most disadvantaged groups in the labor market, including African Americans,



whose unemployment rate as of September 2014 stood at 11 percent. The rate for Latinos was 6.9 percent, and for people without a high school degree it was 8.4 percent in September 2014. Similarly, as Indicator 8 shows, workers with disabilities made limited progress between 2012 and 2013. The share of all working-age people—ages 16 to 64—with a disability who were employed—26.8 percent in 2013—was about the same as in 2012. Among working-age people with disabilities in the labor force in 2013, unemployment was high—14.7 percent—and about the same as in 2012.<sup>4</sup>

Absent much stronger job growth and a return to the kind of full-employment conditions that the United States last saw in the 1990s, it will be impossible to make substantial progress on reducing poverty. Unfortunately, the current Congress has failed to take the further action needed to boost job creation. This has been

particularly problematic for the most disadvantaged workers. In his 2015 budget proposal, President Barack Obama proposed targeted investments to increase employment among low-income workers and the long-term unemployed. These investments include \$602 million in annual funding for the Pathways for Jobs Initiative, which would fund subsidized employment for low-income parents and youth with barriers to employment and provide \$2.5 billion in funding for summer and year-round jobs for 600,000 youth.<sup>5</sup>

President Obama has also proposed a \$302 billion, four-year reauthorization of federal funding to repair our surface transportation infrastructure, including highways, bridges, transit systems, and airports. The proposal would create tens of thousands of new jobs—a significant number of those jobs going to groups such as Latinos and African



President Obama speaks at Laborfest 2014 at Henry Maier Festival Park, September 1, 2014, in Milwaukee, WI. President Obama renewed his call for an increase in the minimum wage.

ASSOCIATED PRESS/MORRY GASH

Americans—while strengthening our economy’s foundation for growth. The president’s proposal also includes \$400 million to establish a transportation workforce development program that would increase the diversity and skills of our construction workforce.<sup>6</sup> Unfortunately, Congress has yet to act on the proposal and instead approved short-term extensions of current transportation funding.<sup>7</sup>

Although there has been little progress on federal proposals such as these, which would create more jobs and boost the economy, several states and a number of cities have moved forward on measures that increase employment opportunities. This year, four states—Delaware, Illinois, Nebraska, and New

Jersey—and several major cities—including Baltimore, Charlotte, Indianapolis, Louisville, and New Orleans—adopted “fair chance” hiring reforms to limit the use of criminal history information by employers during hiring.<sup>8</sup> To date, some 13 states and 70 local jurisdictions have adopted such measures, most within the past few years. Additionally, Colorado, Nevada, and Vermont adopted legislation in 2013 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.<sup>9</sup> Also in 2013, New York City adopted legislation outlawing discrimination against job applicants who are unemployed, and a New Jersey court upheld a 2011 state law that prohibits such discrimination.<sup>10</sup>

### *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 to a substantial extent by changes in a few key labor-market factors, particularly wages and unemployment. Looking at the period from 1967 to 2003, economist Hilary Hoynes and her colleagues found that:<sup>11</sup>

- 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 of the wage distribution—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.<sup>12</sup>

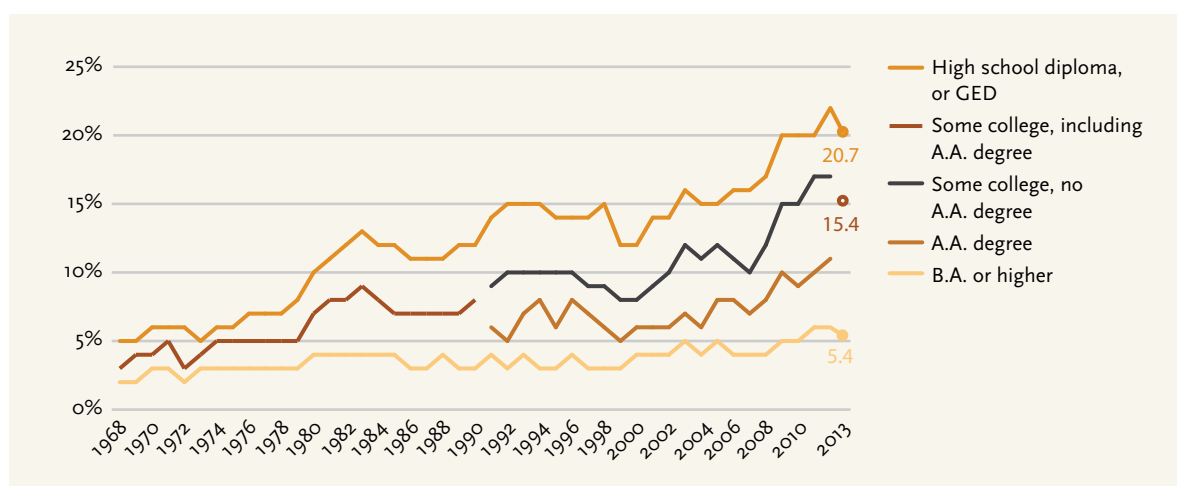


Finally, it is worth noting that the poverty rate remains high despite substantial increases in educational attainment. Young people today are much more educated than their counterparts 50 years ago. However, 18- to 34-year-olds today face higher poverty rates than those of the same ages and educational levels did 50 years

ago. Figure 1 charts poverty trends for 25- to 34-year-olds by education level between 1968 and 2013. It shows, for example, that even poverty rates for young people with college degrees or more advanced degrees were about twice as high in 2013 than in 1968.

*Figure 1: Poverty has risen among young adults across educational levels*

**POVERTY RATE OF 25- TO 34-YEAR-OLDS WITH HIGH SCHOOL DIPLOMA OR HIGHER BY EDUCATIONAL ATTAINMENT, 1968 TO 2013**



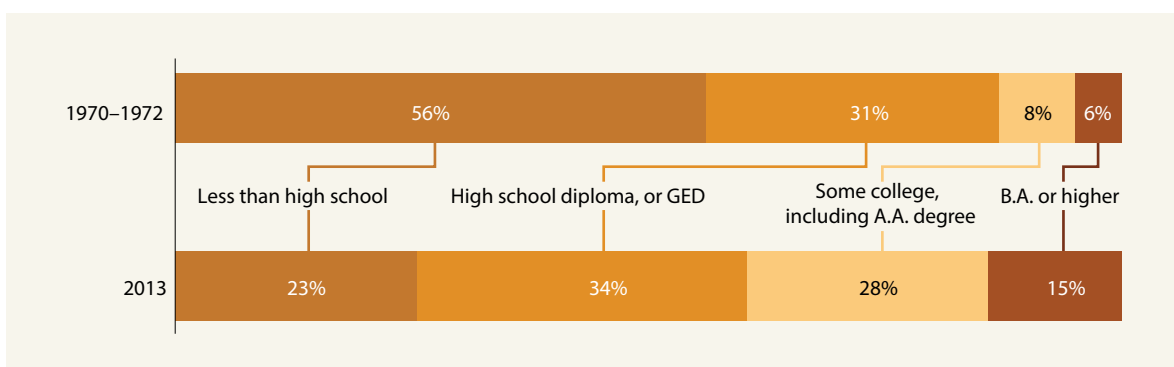
Note: Before 1991, the Current Population Survey only had one category for people with 'some college.'  
Source: CAP analysis of March Current Population Survey, Integrated Public Use Microdata Series.

While some of this increase is due to continued high unemployment, there has also been a clear long-term trend toward higher poverty rates for young people at all levels of education. One of the consequences—shown in Figure 2—is that

the vast majority of young people living in poverty today have a high school diploma or more, and more than one-third have some postsecondary education, including 14.5 percent with a bachelor's degree or higher.

*Figure 2: Educational attainment for young adults living in poverty has increased*

**EDUCATIONAL ATTAINMENT OF 24- TO 35-YEAR-OLDS WITH BELOW-POVERTY INCOMES, 1970 TO 1972 vs. 2013**



Source: CAP analysis of March Current Population Survey, Integrated Public Use Microdata Series.

Of course, higher education is more important than ever and makes it possible for millions of Americans to join the middle class. As Figure 1 shows, the more education one has, the less likely one is to be poor, with workers who have at least a four-year college degree experiencing the lowest rates of poverty. However, without

good jobs and good wages, the return that today's young people see on their educational investment will continue to decline. Even more students will be saddled with outsized student-loan debts that will keep them from investing in home ownership, starting families, and affording basic necessities.

## Depressed and stagnant wages

**W**ages 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 40 percent of workers remain lower today than they were in 2000.<sup>13</sup> Similarly, workers without college degrees have seen their wages fall in real terms since 2000, and workers with college degrees but not advanced degrees have seen only very small increases in their wages since 2000.<sup>14</sup>

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 trend. Median wages for workers in these service occupations as a whole were the same in 2013 as they were in 2000.

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. In 2013, median earnings for women working full-time, year-round jobs were 78.3 percent of those for men working full-time, year-round, about the same as in 2012.<sup>15</sup>

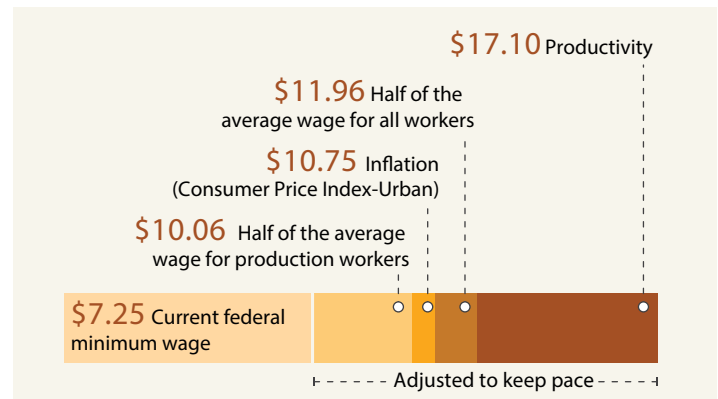
These dismal compensation trends for most workers have occurred despite increases in productivity over the past decade.<sup>16</sup> The disconnect is largely due to more of the gains from increased productivity going to capital income, as well as an increase in wage inequality. As Figure 3 shows, if the federal minimum wage had been adjusted since 1968 to keep pace with a conservative measure of productivity, it would be more than \$17 per hour today.

This disconnect, which hurts our economy, is not inevitable. The minimum wage should put a floor under wages to ensure that employers pay enough for their workers to afford the basics. If employers do not pay their workers enough to maintain adequate levels of spending on necessities such as food, housing, clothing, transportation, and other items, both the economy and families suffer. Raising the minimum wage, as both the president and Democrats in Congress have proposed, would help narrow the wage and productivity disconnect and boost the incomes of poorly compensated workers.

Although conservative opposition has kept reforms from moving in Congress, President Obama has used his executive powers to improve basic labor standards in several important ways:

*Figure 3: Minimum wage lagging behind*

**WHAT THE MINIMUM WAGE WOULD HAVE BEEN IN 2013 HAD IT BEEN ADJUSTED SINCE 1968 TO KEEP PACE WITH AVERAGES 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, July 17, 2013, available at <http://www.cepr.net/index.php/blogs/cepr-blog/the-minimum-wage-is-not-what-it-used-to-be>.

- In February 2014, he issued an executive order that requires federal contractors to pay their workers a \$10.10 per hour minimum wage starting in 2015. Under the order, the minimum wage is automatically increased each year for inflation.
- In March 2014, President Obama directed the Department of Labor to update and simplify federal rules that keep millions of workers from receiving the overtime pay they deserve.<sup>17</sup> Specifically, the modernization needs to address so-called white-collar exemptions from overtime pay, which allow employers to deny overtime pay to many salaried workers making less than \$24,000 a year.
- In July 2014, the president issued an executive order prohibiting federal contractors

from discriminating against LGBT workers and prohibiting discrimination based on gender identity in federal employment.<sup>18</sup> The new order amends two previous executive orders, one issued by former Presidents Lyndon Johnson and Richard Nixon that provided these protections based on race, color, religion, sex, and national origin.<sup>19</sup>

Even greater progress has been made at the state level. In 2014, 10 states—Connecticut, Delaware, Hawaii, Maryland, Massachusetts, Michigan, Minnesota, Rhode Island, Vermont, and West Virginia—and the District of Columbia, increased their minimum wage. Further, in November 2013, just after last year’s annual report went to press, New Jersey voters overwhelmingly approved a state constitutional amendment to increase its minimum wage and adjust it annually for inflation.<sup>20</sup> As Figure 4 below shows, 26 states and the District of Columbia now have state minimum wages that exceed the federal minimum wage.

At the local level, Seattle increased its minimum wage to \$15—by 2017 for large businesses and all business by 2021—making it the highest minimum in the United States. And in August 2014, the San Diego City Council overrode Republican Mayor Keven Faulconer’s veto to increase that city’s minimum wage to \$11.50 an hour by 2017.<sup>21</sup>

A recent analysis by economist Elise Gould of the Economic Policy Institute suggests that these state and local increases are having a positive effect. Comparing changes in real hourly wages between the first half of 2013 and

*Figure 4: 25 states and the District of Columbia have minimum wages higher than the federal minimum*

#### MINIMUM WAGE AMOUNTS IN STATES HIGHER THAN THE FEDERAL MINIMUM

State	Minimum wage as of September 2014
Alaska	\$7.75
Arizona	\$7.90, with annual cost of living adjustment
California	\$9.00; increases to \$10.00 in 2016
Colorado	\$8.00, with annual cost of living adjustment
Connecticut	\$8.70, with scheduled increases; will reach \$10.10 in 2017
Delaware	\$7.75; increases to \$8.25 in 2015
District of Columbia	\$9.50
Florida	\$7.93, with annual cost of living adjustment
Hawaii	\$7.25; increases to \$10.10 between 2015 and 2018
Illinois	\$8.25
Maine	\$7.50
Maryland	\$7.25; increases to \$10.10 between 2015 and 2018
Massachusetts	\$8.00; increases to \$11.00 between 2015 and 2017
Michigan	\$8.15; increases to \$9.25 between 2016 and 2017, with annual cost of living adjustments starting in 2019
Minnesota	\$8.00; increases to \$9.50 between 2015 and 2016, with annual cost of living adjustments starting in 2018
Missouri	\$7.50, with annual cost of living adjustment
Montana	\$7.90, with annual cost of living adjustment
Nevada	\$8.25—if employer does not provide health insurance—with annual cost of living adjustment
New Jersey	\$8.50, with annual cost of living adjustment
New Mexico	\$7.50
New York	\$8.00; increases to \$9.00 by 2016
Ohio	\$7.95, with annual cost of living adjustment
Oregon	\$9.10, with annual cost of living adjustment
Rhode Island	\$8.00; increases to \$9.00 in 2015
Vermont	\$8.73; increases to \$10.50 between 2015 and 2018, with annual cost of living adjustment starting in 2019
Washington	\$9.32, with annual cost of living adjustment
West Virginia	\$7.25; increases in \$8.00 in 2015 and \$8.75 in 2016

Sources: National Conference of State Legislatures, “State Minimum Wages: 2014 Minimum Wage by State,” September 2, 2014, available at <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>; U.S. Department of Labor, “Minimum Wage Laws in the States - September 1, 2014,” available at <http://www.dol.gov/whd/minwage/america.htm> (last accessed September 2014).

the first half of 2014, Gould found that wages declined for all workers, except for those in the bottom 10 percent of the wage distribution.<sup>22</sup> Gould also found that wages increased for workers in the bottom 10 percent in states with minimum wage increases but declined slightly

in other states. Gould concludes that “this indicates that strong labor standards can improve outcomes even when the unemployment rate remains high and workers have severely reduced bargaining power.”



AFL-CIO President Richard Trumka speaks at a news conference, March 27, 2014, in Philadelphia, PA. Americans United for Change has a scheduled an 11-state bus tour advocating for an increase in the minimum wage from \$7.25 to \$10.10 per hour.

ASSOCIATED PRESS/MATT ROURKE

## 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 5 percent lower today than it was in 2009. Further, only 34 percent of low-wage workers had access to paid sick leave in 2014 compared to 37 percent in 2009.

There is, however, good reason to think that access to paid sick leave will improve over time as more states and cities pass reforms in this area. For example, in September 2014, California adopted landmark legislation guaranteeing at least three paid sick days for nearly all workers in the state.<sup>23</sup> California joins Connecticut, which in 2012, became the first state to adopt a statewide



law that allows a substantial share of workers to earn paid sick days, although coverage under the Connecticut law is much narrower than the one in California. On November 4, 2014, Massachusetts voters will decide whether to approve an initiative that would provide workers—at businesses with 11 or more employees—1 hour of paid sick leave for every 30 hours worked, up to 40 hours of leave a year.<sup>24</sup> Workers at smaller businesses would be able to earn unpaid leave at the same rate.

In August, San Diego became the sixth major city to require employers to provide paid sick days.<sup>25</sup> San Diego joins Portland and New York City, which both adopted citywide paid sick days laws in 2013, as well as San Francisco in 2007, Seattle in 2012, and Washington, D.C., in 2008, with an expansion in 2013. In addition, shortly after New York City Mayor Bill de Blasio took office this year, he signed legislation to expand access to the city's existing paid sick days protections to about half a million more workers in the city.<sup>26</sup>

## Improving education

If there has been a bright spot in recent years, it is in education trends. As Indicator 4 shows, in the 2011-12 school year—the last school year for which complete data are available—the on-time high school graduation rate reached nearly 81 percent, an increase above the previous year and 8 percentage points higher than in the 2001-02 school year.

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, a larger increase than would have been predicted based on earlier trends.<sup>27</sup> An increase in adults attending community colleges and other two-year postsecondary institutions largely drove this trend. 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.

However, the share of young people ages 16 to 24 that are not in school and not working increased slightly, from 14 percent in 2012 to 15.1 percent in 2013. The increase is solely due to a decline in the number of youth in school.

Some of the increase in postsecondary enrollment following the Great Recession was the result of the growth of for-profit colleges, a fact that has mixed consequences for low-income students. Those 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.<sup>28</sup> Unfortunately, for-profit schools have resisted increased transparency and have opposed efforts to provide the public with accountability data.<sup>29</sup>

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## Recommendations

The federal government, states, and cities 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 federal 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 options for retirement savings 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
- Adopt “Ban the Box” policies and other fair chance hiring reforms that reduce the employment barriers created by overly punitive criminal justice policies that have led to mass incarceration
- 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 good jobs by improving basic labor standards, modernize and invest in infrastructure, and increasing access to employer-provided retirement plans

Creating good jobs should be Congress’s top priority. As discussed above, this means acting to reduce unemployment among low-income adults and the young, including providing funding to states to create subsidized employment initiatives 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 by creating good-paying jobs in the construction industry and other sectors. Congress, states, and localities should also adopt construction-careers policies modeled on similar measures adopted by Los Angeles County and other large metropolitan areas. Under the Los Angeles County 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



Supporters carry signs to raise the minimum wage in Los Angeles, CA, as they listen to Mayor Eric Garcetti (D) during an announcement at the Martin Luther King Jr. Park with a coalition of business, labor, community, and faith leaders from across the city, September 1, 2014.

ASSOCIATED PRESS/RICHARD VOGEL

parent or a veteran of Iraq or Afghanistan wars who receives public assistance.<sup>30</sup>

Congress needs to address the decline in real earnings and reduce the gender wage gap by increasing the minimum wage. The Fair Minimum Wage Act would increase the federal minimum wage to \$10.10 per hour and adjust it automatically each year 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 of just \$2.13. This rate has been frozen since 1991—more than 19 years ago.<sup>31</sup>

In addition, Congress should ensure that all workers are able to earn paid sick leave. Millions of poorly compensated workers end up having no choice but to keep working when

they become ill. 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.<sup>32</sup>

As Indicator 11 shows, a growing 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 to employer-provided retirement, 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.

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

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private-sector employees without retirement benefits through their employers. Under the California Secure Choice Retirement Savings Program, eligible workers would be automatically enrolled in the program and have about 3 percent of their earnings placed in a retirement account. Workers would have the ability to stop these payroll deductions at any time. Workers' contributions would be conservatively invested, and administrative costs would be kept extremely low. States should follow California's lead and move toward establishing similar systems. Two states, Connecticut and Minnesota, took steps in that direction earlier this year by passing legislation that allocates funding to study the creation of similar plans. The Connecticut legislation establishes a new Retirement Security Board and directs it to develop a plan for a statewide public retirement savings plan by 2016.<sup>33</sup> Similarly, the Minnesota legislation requires the state's commissioner of management and budget to report to the legislature by January 2015 on the potential for a state-administered retirement savings plan.<sup>34</sup>

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 as much as \$1,000 to low-income workers—\$2,000 for low-income married couples—who contribute to a retirement account.<sup>35</sup> The federal 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 increas-

ing 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.

### Strengthen collective bargaining rights

Strong unions help build the middle class by giving workers a voice in the workplace and in our democracy.<sup>36</sup> Reducing poverty substantially will be difficult until union membership begins to increase. Unfortunately, only 11.3 percent of workers are currently union members, down from 20.1 percent in 1980.<sup>37</sup> 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.<sup>38</sup> At the very minimum, Congress should increase penalties on employers who violate the National Labor Relations Act.

### 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 four 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 women and people

of color. All four of the major care occupations are on the U.S. Bureau of Labor Statistics' list of the occupations with the largest projected job growth by 2020.<sup>39</sup>

Because the federal government subsidizes so much of the care service purchases 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.<sup>40</sup> 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.<sup>41</sup>

#### Adopt Ban the Box and other Fair Chance Hiring Reforms

The federal government should increase its very small investment—\$67.7 million in 2014, less than \$100 for each newly released prisoner—in

re-entry services provided under the Second Chance Act.<sup>42</sup> Moreover, states and cities should adopt Ban the Box and other Fair Chance Hiring reforms that reduce the employment barriers created by overly punitive criminal justice policies that have led to mass incarceration. Ban the Box policies typically prohibit employers from asking about an applicant's criminal history during the initial hiring process. A related set of Fair Chance reforms provide incentives for contractors on publicly funded infrastructure projects to hire qualified workers who have a criminal record.<sup>43</sup>

#### 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 \$496 in 2014, less than one-tenth the credit for a couple with two children. The opportunity to get ahead should not be limited to parents. Substantially increasing this tax credit for workers without children and making it available to workers under the age of 24 would reward work equitably.



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### Expand access to affordable and effective higher education and skills training

Congress should expand access to higher education by increasing Pell Grant and Federal Work Study investments and ensure that working and other nontraditional students are able to access financial aid.

Moreover, the federal government should adopt policies that provide potential students of for-profit colleges with strong protections against fraud and abusive practices.

### *Brian Tucker, 29, Scottsburg, Virginia*

I'm 29 years old, and I live in Scottsburg, Virginia, with my wife and three of my kids. I'm a shift manager at Burger King where I work full time for \$8 an hour, which amounts to about \$600 every two weeks, before taxes. I'm the breadwinner for my family; my wife receives disability benefits. This means that we have about \$1,200 each month to pay for rent and all of the bills, including electric.

We needed to move because we couldn't keep up with the rent, and gas was too expensive to drive to work each day. We go without Internet, cable, eating out, and we shop at Goodwill. My wife and I try to maintain a steady weight so that we don't have to buy new clothes and to make sure we're always able to buy our kids clothes and shoes when they need them. We receive Food Stamps [or, Supplemental Nutrition Assistance Program benefits] to ensure that there's food on the table, and when those funds run low, we switch from family meals to sandwiches and food bank visits. We can't afford child care, so we're incredibly fortunate that their grandmother is able to help out.

Right now, it feels like we're running in place—like no matter how fast or hard we go, we're not getting anywhere; we're just continuously struggling.

A wage increase to \$10.10 per hour would be a blessing for me and my family. It would be life-changing: Those \$2 may not seem like much to most people, but to my family, it means that we may be able to actually save something and be able to pay off some debt. I want to buy our food. I don't want to have to need Food Stamps. We're a humble family, but it would be nice to be able to buy the second cheapest clothes at Goodwill, instead of the absolute cheapest, or to be able to stress slightly less about being able to get Christmas presents for the kids each year.

I, and many people like me, work so hard, yet with wages so low, we're still living in poverty. Not only would raising the wage enable families like mine to put more food on the table and know that we can pay rent for the month, but it would make us feel appreciated and respected as workers. It's time for us to make a living wage.

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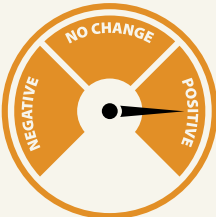
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# Indicators

### 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. As Figure a shows, over the most recent 10-year period, the on-time high school graduation rate increased by 8.3 percentage points, rising from 72.6 percent in the 2001-02 school year to 80.9 percent in the 2011-12 school year. The on-time high school graduation rate has now increased for six straight years.

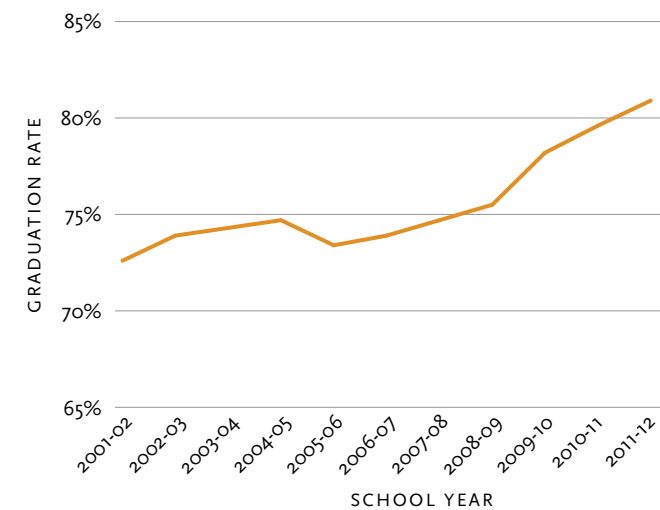
On-time graduation rates have increased for all racial and ethnic groups. But as Table b shows, there continue to be substantial disparities by race in on-time graduation rates: Rates for whites and for Asian Americans and Pacific Islanders are substantially higher than for blacks, Hispanics, and Native Americans.



**80.9%**  
OF HIGH SCHOOL  
STUDENTS GRADUATED  
ON TIME AT THE END  
OF THE 2011-12  
SCHOOL YEAR

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

On-time public high school graduation rate, 2001-02 school year to 2011-12 school year



Source: National Center for Education Statistics, *The Condition of Education 2014* (U.S. Department of Education, 2014).

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

Average freshman graduation rate by race and ethnicity, 2011-12 school year

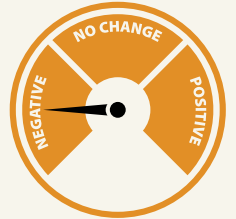
	Average freshman graduation rate	Difference compared to white rate in percentage points
White	85%	
Black	68%	-17%
Hispanic	76%	-9%
Asian American or Pacific Islander	93%	8%
Native American	68%	-17%

Source: National Center for Education Statistics, *The Condition of Education 2014* (U.S. Department of Education, 2014).

## 5 ECONOMIC INCLUSION OF YOUNG PEOPLE

In 2013, 5.89 million youth—15.1 percent—were neither in school nor employed. As Figure a shows, the percentage of youth not in school and not working increased for the first time since 2009. As Figure b shows, while there was a modest increase between 2012 and 2013 in the number of out-of-school youth who were employed, there was an even larger increase in the number of youth not enrolled in school.

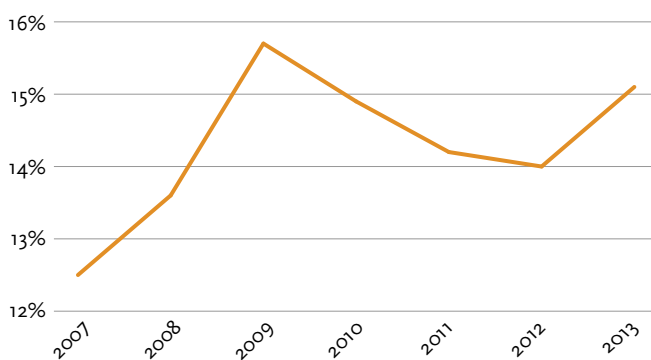
To increase the share of youth in education, employment, or training, Congress should allow young workers who do not have children to receive the Earned Income Tax Credit, increase investments in summer and transitional jobs for youth, and adopt President Obama's proposals to increase access and completion of postsecondary education and training, including his proposal for new College Opportunity and Graduation Bonus grants.



**15.1%**  
OF YOUTH AGES  
16 TO 24 WERE NOT IN  
SCHOOL OR WORKING  
IN 2013

### a Percentage of youth not employed or in education increased for first time since 2009

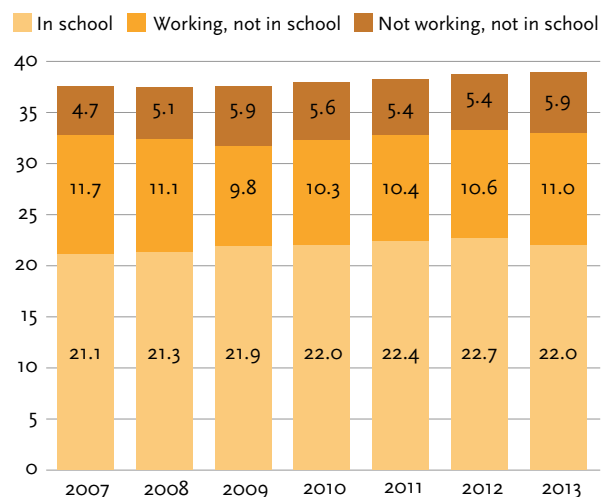
Youth ages 16 to 24 who were not in school or working, 2007 to 2013



Source: Calculated from data in Bureau of Labor Statistics, "College Enrollment and Work Activity of High School Graduates," Press releases, 2007 to 2013, available at [http://www.bls.gov/schedule/archives/all\\_nr.htm#HSGEC](http://www.bls.gov/schedule/archives/all_nr.htm#HSGEC).

### b Nearly 6 million young people are not working or in school

Youth ages 16 to 24 by employment and education status, 2007 to 2013 (in millions)



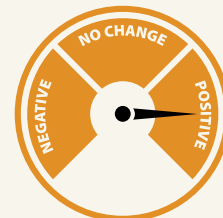
Source: Bureau of Labor Statistics, "College Enrollment and Work Activity of High School Graduates," Press releases, 2007 to 2013, available at [http://www.bls.gov/schedule/archives/all\\_nr.htm#HSGEC](http://www.bls.gov/schedule/archives/all_nr.htm#HSGEC).

# 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 slightly by .7 of a percentage point between 2013 and 2014; it has increased by slightly more than 4 percentage points since 2008.

As figure b shows, in October 2013, slightly less 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.

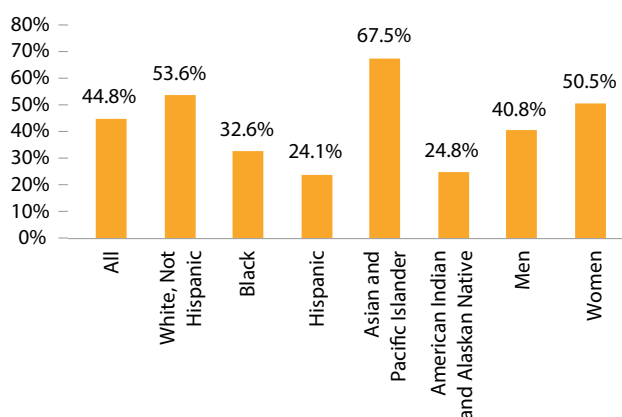


# 44.8%

**OF YOUNG ADULTS  
HAD AN ASSOCIATE'S  
DEGREE OR HIGHER  
IN 2013**

### a Considerable gaps remain in educational attainment of young adults by race and ethnicity

25- to 34-year-olds with associate's degree or higher, by race, ethnicity, and gender, 2014



Source: Authors' calculation from Bureau of the Census, *Current Population Survey, Annual Social and Economic Supplement* (U.S. Department of Commerce, 2014).

### b More than half of 20- to 21-year-olds were enrolled in college in 2013

School enrollment status of 20- to 21-year-olds by race and ethnicity, October 2013

	Enrolled in high school	Enrolled in college	Not enrolled in school	
			Have a high school diploma	Do not have a high school diploma
All	2.4%	50.4%	39.8%	7.3%
White, not Latino	1.7%	53.5%	39.9%	4.9%
Black	3.4%	45.6%	42.0%	8.9%
Latino	3.2%	40.8%	42.4%	13.7%
Asian	3.3%	77.0%	16.3%	3.4%

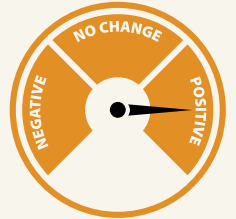
Source: Bureau of the Census, *Current Population Survey 2013, School Enrollment Detailed Tables* (U.S. Department of Commerce, 2013), Table 1, available at <http://www.census.gov/hhes/school/data/cps/2013/tables.html>.



## 7 UNEMPLOYMENT RATE

The unemployment rate continued to decline in 2014, falling from 7.2 percent in September 2013 to 5.9 percent in September 2014. As figure a shows, unemployment rates vary considerably by ethnicity, with blacks and Latinos much more likely to be unable to find work than whites and Asians. Figure b tracks U-6 unemployment, a broader measure of unemployment and underemployment than the main unemployment rate. According to this measure, U-6 unemployment, at 11.8 percent in September 2014, was nearly twice as high.

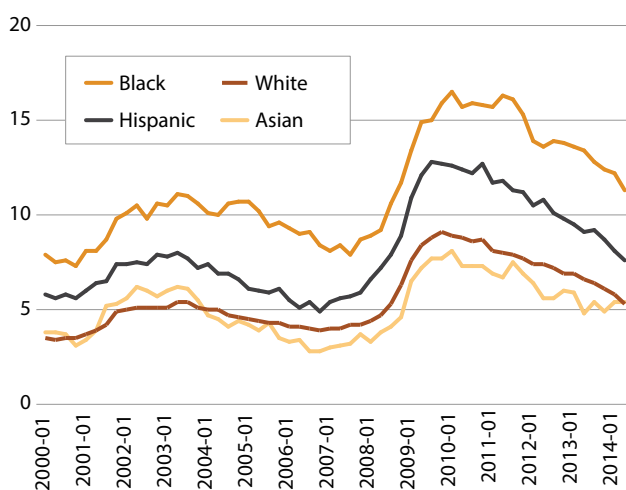
Reducing unemployment needs to be Congress's top priority. Policies that would create jobs and move us in the direction of full employment include ending harmful austerity policies, making immediate investments in public infrastructure, and creating transitional public jobs for youth and the most-disadvantaged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



**5.9%**  
THE UNEMPLOYMENT  
RATE IN SEPTEMBER 2014

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

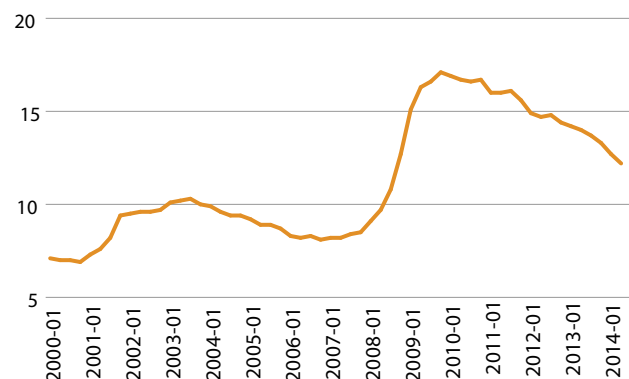
Unemployment rate, 2000 to Q2 2014, by race and ethnicity



Source: Data from the Bureau of the Census' monthly Current Population Surveys, 2000 to 2014. See Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject: Unemployment," available at <http://www.bls.gov/data/#unemployment> (last accessed October 2014).

### b About one-in-eight workers are unemployed, underemployed, or discouraged

U-6 unemployment rate, quarterly, 2000 to Q2 2014



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.

Source: Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor, 2000–2014).

# Indicators

## 8 EMPLOYMENT RATE OF PEOPLE WITH A DISABILITY

Among the 15.5 million people ages 16 to 64 with disabilities in 2013, about 4.1 million—26.8 percent—were employed, compared to 70.7 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 2013.

As Table a shows, adults with disabilities who are in the labor market are much more likely to be unemployed than adults without disabilities. For example, among people with a high school diploma but no college education, 11.3 percent of workers with disabilities are unemployed compared to 7.3 percent of workers with no disability. Table b compares the poverty rates of working-age adults with disabilities by their employment status. It shows that people with disabilities have much higher poverty rates regardless of whether they are employed or not.

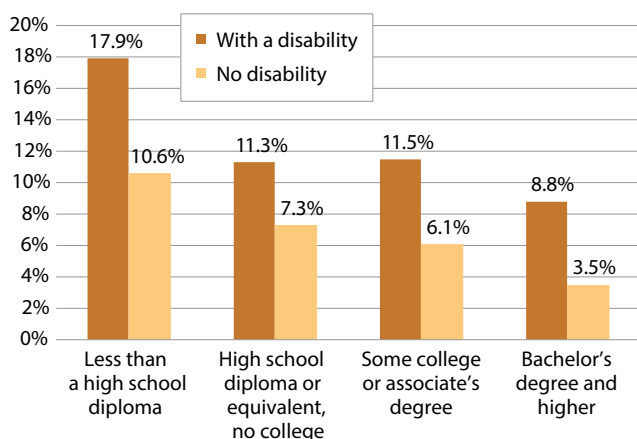


**26.8%**

**OF PEOPLE WITH  
DISABILITIES AGES  
16 TO 64 WERE  
EMPLOYED IN 2013**

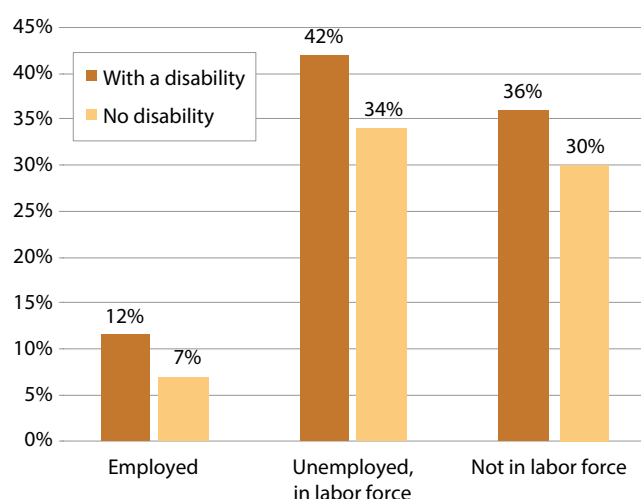
### a People with disabilities who are in labor force face high unemployment rates

Unemployment rate by disability status by educational attainment, age 25 and over, 2013



### b Regardless of employment status, adults with disabilities have much higher poverty rates

Poverty rate by employment status by disability status, ages 20 to 64, 2013



Source: Bureau of Labor Statistics, "People with a Disability: Labor Force Characteristics—2013," Press release, June 11, 2014, available at <http://www.bls.gov/news.release/pdf/disabl.pdf>.

Source: CAP calculation from Bureau of the Census, 2013 American Community Survey (U.S. Department of Commerce, 2013), Table B23024.

## 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 2013 were \$493 or about \$25,000 annually. Adjusted for inflation, there was little or no change in service occupation pay between 2012 and 2013. But since 2003, real median wages for service workers have fallen by about 3 percent.

As Figure b shows, stagnant and falling wages for service workers have occurred despite ongoing gains in productivity. 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.

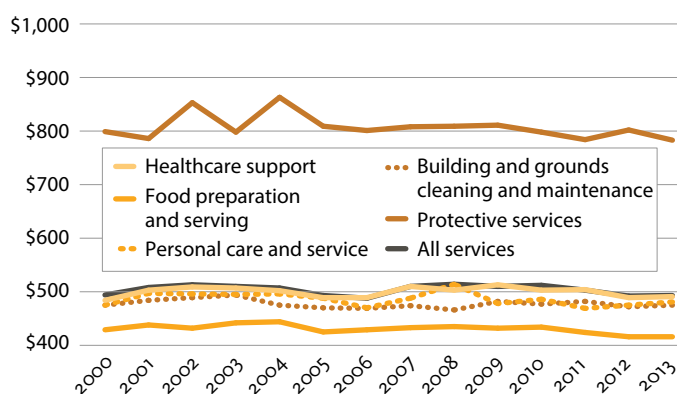


# \$493

**MEDIAN WEEKLY  
EARNINGS FOR A  
FULL-TIME SERVICE  
WORKER IN 2013**

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

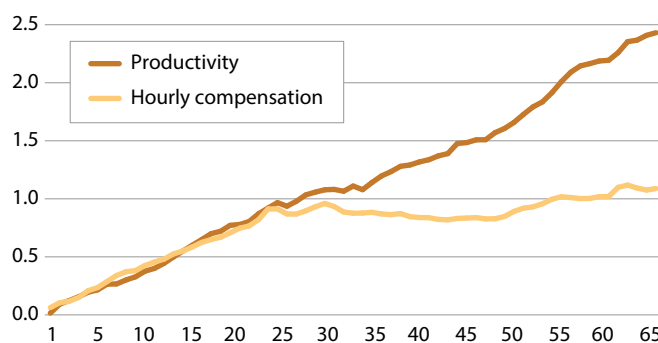
Real median weekly earnings for full-time workers in service occupations, by major category, 2000 to 2012 (in 2012 dollars)



Source: Table 39 in the Bureau of the Census' 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 to 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 2014—the same as in 2013. 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 \$11.75 and \$17.64 per hour—are 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.

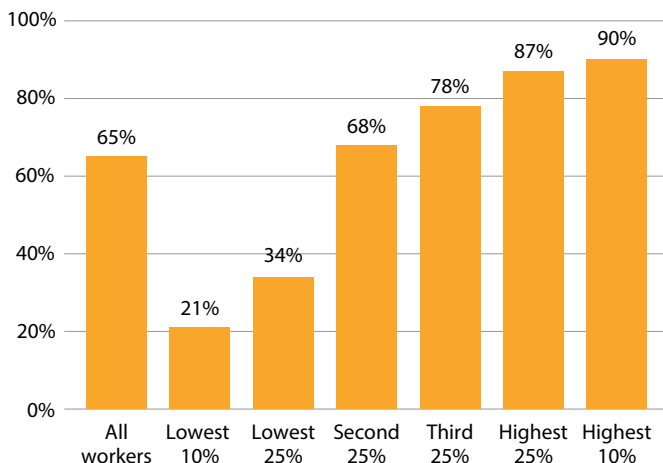


**34%**

**OF WORKERS PAID  
\$11.75 OR LESS PER  
HOUR HAD ACCESS  
TO PAID SICK LEAVE  
IN 2014**

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

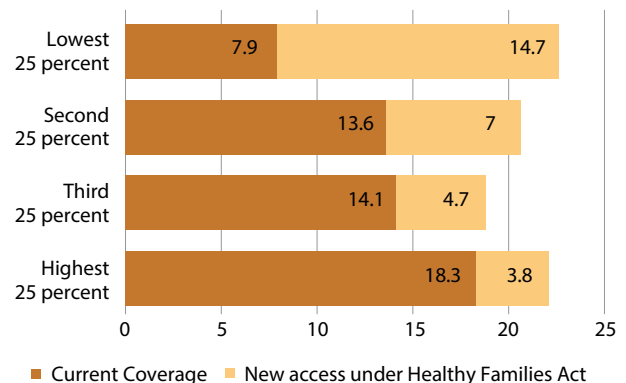
Workers with access to paid sick leave by wage percentile, March 2014



Source: Bureau of Labor Statistics, "Employment Benefits in the United States – March 2014," Press release, July 25, 2014, available at <http://www.bls.gov/news.release/ebs2.nr0.htm>.

### 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

As Figure a shows, only about 41 percent of workers in the bottom quarter of the wage distribution—\$11.75 an hour or less in 2014—had access to an employer-sponsored retirement benefit plan. The change between 2013 and 2014 was not statistically significant.

Figure b shows that poorly compensated workers who have access to retirement plans are much less likely to participate in them. 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.

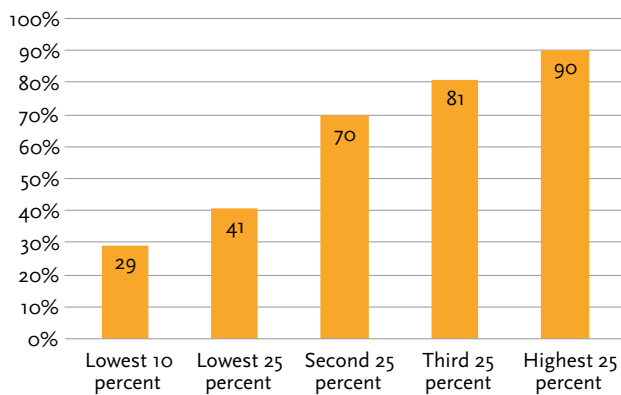


**41%**

**OF WORKERS PAID  
\$11.75 OR LESS PER  
HOUR HAD ACCESS  
TO AN EMPLOYER-  
SPONSORED  
RETIREMENT PLAN  
IN 2014**

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

Workers with access to retirement benefits by wage percentile, March 2014



Source: Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2014* (U.S. Department of Labor, 2014).

### 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 2014

	Percent of workers who:		Take-up rate, or the percent of workers with access who participate
	Have access to employer-sponsored retirement benefit plan	Participate in an employer-sponsored retirement benefit plan	
Lowest 10 percent	29%	12%	41%
Lowest 25 percent	41%	22%	53%
Second 25 percent	70%	52%	75%
Third 25 percent	81%	67%	83%
Highest 25 percent	88%	79%	89%

Source: Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2014* (U.S. Department of Labor, 2014).



# Indicators

## 12 GENDER WAGE GAP

In 2013, median annual earnings for women working full-time and year-round were \$39,157. That figure is 78.2 percent of the median annual earnings of for men working full-time and year-round: \$50,033. The gap did not change significantly between 2012 and 2013. Moreover, as Figure a shows, there has been little progress in closing the gender wage gap since 2001.

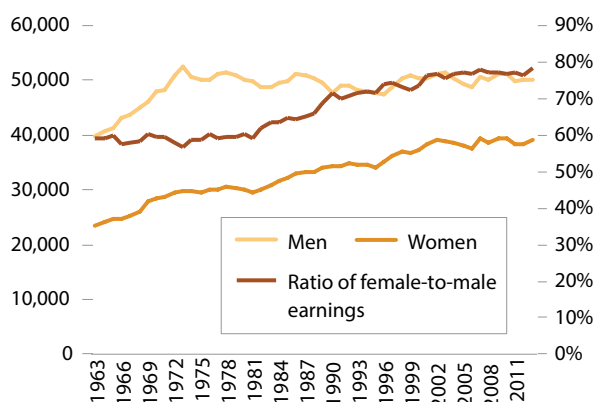
Unequal pay means lower earnings for women and higher poverty rates for both married couples and female-headed households. According to the Institute for Women's Policy Research, boosting women's pay to men's levels would cut the poverty rate for all working women in half, and the total increase in women's earnings would amount to more than 14 times the current public spending on the Temporary Assistance for Needy Families, or TANF, block grant program. 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.



**78.2%**  
RATIO OF WOMEN'S  
EARNINGS TO  
MEN'S EARNINGS  
IN 2013

### a Little improvement in the gender wage gap since 2001

Annual median earnings of full-time, year-round workers in 2013 dollars



Source: Bureau of the Census, *Current Population Survey* (U.S. Department of Commerce, 1963–2013), Table P-38 in Historical Income Tables: People, available at <https://www.census.gov/hhes/www/income/data/historical/people/>.

### b African American women and Latinas have the lowest annual earnings

Gender wage gaps, by race and ethnicity, 2013

	Median annual earnings for full-time, year-round workers		Female earnings as percentage of male earnings of same group	Female earnings as percentage of earnings of white males
	Women	Men		
All races/ethnicities	\$39,157	\$50,033	78.30%	n/a
White	\$41,398	\$53,488	77.40%	77.40%
Asian American	\$43,124	\$57,430	75.10%	80.60%
Black	\$34,294	\$40,792	84.10%	64.10%
Hispanic or Latino/a	\$30,209	\$32,321	93.50%	56.50%

Source: Ariane Hegewisch and others, "The Gender Wage Gap: 2013" (Washington: Institute for Women's Policy Research, 2014), available at <http://www.iwpr.org/publications/pubs/the-gender-wage-gap-2013-differences-by-race-and-ethnicity-no-growth-in-real-wages-for-women>.



# Strengthening families

Strategies to promote better economic  
and social outcomes for all families

*By Rebecca Vallas*



Carlos Rodriguez kisses his 2-year-old daughter Diana, who relies on the Special Supplemental Nutrition Program for Women, Infants, and Children, or WIC, while waiting for his wife outside a WIC office in Los Angeles, CA, October 2, 2013.

ASSOCIATED PRESS/JAE C. HONG

*Families have changed significantly over the past several decades in ways that have implications for both poverty and economic security. This chapter discusses how and why families are changing and the implications of these changes for a family-strengthening policy agenda. It also highlights key data trends between 2012 and 2013: For instance, modest improvements in family employment coincided with continued, if slow, recovery from the Great Recession, and teen birth rates continued their steady decline, dropping another 3 births per 1,000. Finally, it reviews important policy trends in 2013 and offers recommendations to support strong and stable families and improve outcomes for disadvantaged children and parents.*



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## Supporting strong and stable families

Children living with single mothers have much higher poverty rates and are at greater risk of lower educational and economic outcomes compared to children raised by two opposite-sex biological parents. However, the common approach of looking at married versus unmarried, when it comes to child well-being and outcomes, misses a great deal of the picture. Children raised by disadvantaged biological parents—married or not—also have high poverty rates.<sup>1</sup> Couples in these fragile families are generally younger than other parents, are less educated, and are at greater risk of dissolution.<sup>2</sup> Thus, any plan to strengthen families must address these challenges not only for children raised by single parents, but also for the large number of children raised by dis-

advantaged married and cohabiting families. Additionally, families are dynamic and change over time; few single-parent households remain as such indefinitely, and many married relationships dissolve.<sup>3</sup> Our public policies must recognize and adapt to this dynamism and support families of all types.

Importantly, we must take care to make evidence-based distinctions about the role of family structure and to accurately identify the magnitude of its effect on child and adult outcomes. There is now considerable evidence that related factors—particularly family stability and the quality of parents' relationships, both with each other and with their children—also have important effects on children.<sup>4</sup> Much of



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the average difference in child outcomes based on family structure appears to be due to differences in parental income, job quality, caregiving time, and community resources. Deficits in these areas also likely have a negative effect on children in two-parent families. As a result, policies that address these deficits will improve children's well-being and outcomes.

### How are families changing and why?

Premarital cohabitation has become the norm for couples across all income levels. Today, 6 in 10 marriages were preceded by cohabitation, and nearly half of women have cohabited by their late 30s.<sup>5</sup> A related change has played out differently across income levels: While Americans with higher levels of postsecondary and graduate education have increasingly delayed both marriage and parenthood until older ages, women with less education have not delayed parenthood as much as they have delayed marriage.<sup>6</sup> Thus, we have seen a significant increase in nonmarital births among women with less education, but a more modest increase among women with higher levels of education.<sup>7</sup> Still, it is important to note that births among both teens and young adults between the ages 20 and 25, have steadily declined over time, including among disadvantaged groups.<sup>8</sup> Additionally, divorce rates among people over the age of 35 doubled in the past 25 years, while remaining stable or even slightly declining among younger couples—perhaps suggestive of increasing selectivity of marriage.<sup>9</sup> Economically insecure married

couples and unmarried cohabiting couples are at greatest risk of dissolution.<sup>10</sup>

Both economic and noneconomic factors have played important roles in driving these changes. In the 1960s and 1970s, changing social norms were a major driver of family change. More recently, economic factors have played a more significant role in driving family change—particularly declining economic opportunities for parents without a college degree coupled with growing income inequality.<sup>11</sup>

Criminal justice policies have also contributed to changes in family structure. Today, more than 23 of every 1,000 children have at least one incarcerated parent<sup>12</sup>—and more than 70 of every 1,000 children have a parent in jail, on probation, or on parole.<sup>13</sup>

Another important trend is the rise in lesbian, gay, bisexual, and transgender, or LGBT, families with children. According to a 2013 study of LGBT families and parenting by The Williams Institute, as many as 6 million children have an LGBT parent, and these families are more likely to experience economic insecurity than their non-LGBT counterparts.<sup>14</sup> Single LGBT adults raising children were three times more likely to live in poverty or near poverty, and children in same-sex couple families were twice as likely to be poor than children in married opposite-sex couple families.<sup>15</sup>

### Policy implications of changing families

Contrary to what some policymakers imply, marriage is not a silver-bullet solution to poverty. Although the poverty rate for married-parent families is relatively low compared to other family types, married parents make up more than a third of all families with children living below the poverty line.<sup>16</sup> If all the cohabiting parents currently in poverty were to marry, this would not reduce poverty. Rather, it would simply increase the share of married-parent families living in poverty. Policy solutions must seek to enhance family economic security, miti-

gate the effect of family structure on economic outcomes for children, and address the root economic causes of family instability.

Additionally, criminal justice reform and sound re-entry policies are key to supporting strong families. Incarceration has a destabilizing effect on families, and the collateral consequences of a criminal record can present long-lasting challenges by posing barriers to employment, housing, education, public assistance, and more. Policies must also recognize and support LGBT families.

## Data trends in 2012 and 2013

This report tracks important indicators that are updated annually by the U.S. Bureau of the Census and other agencies. In 2013, there were slight improvements on various economic security indicators, reflecting continued, if slow, economic recovery from the Great Recession. For instance, the rate of teen births continued its steady, long-term decline. Other indicators are relevant as well, such as the degree to which children are able to remain connected to their parents.

### Family poverty

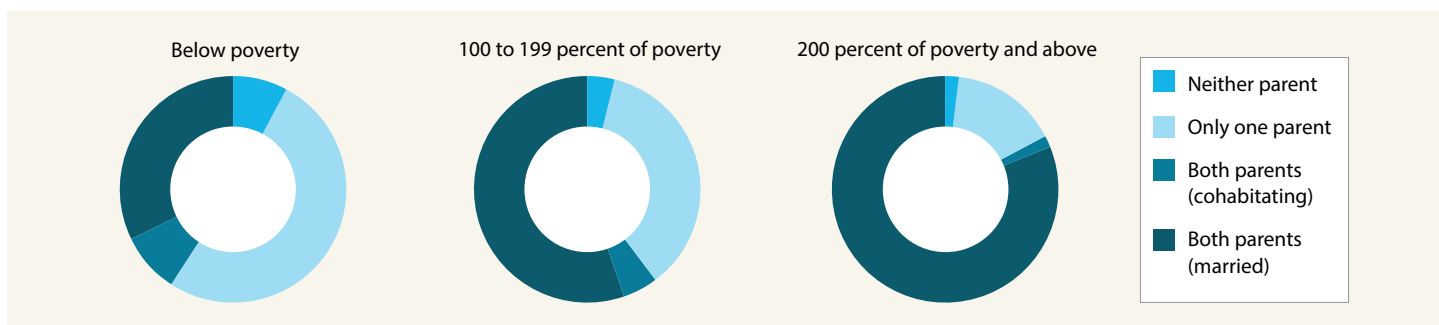
The poverty rate for families with related children dropped to 19.5 percent in 2013, down from 21.5 percent in 2012.<sup>17</sup> Compared to the previous year, children were slightly less likely to be living with only one parent in 2013: 27.7 percent of children lived with one

parent, compared to 28.3 percent of children in 2012.<sup>18</sup> In 2013, cohabiting-parent families were more likely to live in poverty than other family structures; 47.6 percent of cohabiting-parent families lived in poverty—up from 45.7 percent in 2012.<sup>19</sup> In 2013, families headed by a single mother were slightly less likely to experience economic insecurity than cohabiting-parent families; 44.5 percent of families with a single mother lived in poverty, a slight drop from 45.3 percent in 2012.<sup>20</sup> While relatively small, the number of families headed by single fathers has jumped considerably over the years, increasing more than nine-fold since 1960.<sup>21</sup> Single-father families tend to fare somewhat better economically than single-mother families, but they still had elevated rates of poverty at 21 percent in 2013, up slightly from 20 percent in 2012.<sup>22</sup>

Married-parent families experience lower rates of economic insecurity than other types of family structures. In 2013, 11 percent of married-parent families lived in poverty, essentially unchanged from 2012.<sup>23</sup> However, poverty among these families must not be ignored in policy discussions: In 2013, 5.2

million children in married-parent families lived in poverty, representing nearly one-third of all children in poverty. And as noted above, same-sex couple families experience elevated rates of poverty as well.

### *Living arrangements of America's children by poverty status (2013)*



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

### Family employment

Over the past 50 years, an increasing number of families have come to depend on two incomes. Among married-couple families with children, 6 in 10 have both parents in the workforce today.<sup>24</sup> Not only are mothers more likely to be working, but many more families now rely heavily on the mothers' income. Since 1960, the share of families with a mother who is a breadwinner or co-breadwinner has jumped from one-third to two-thirds.<sup>25</sup> In light of the modern-day realities of dual-earner families, this indicator looks at the employment rate of both parents for two-parent families.

In 2013, there was a modest increase in parental employment as the economy continued its slow recovery. But the unemployment rate among families with children remains high, particularly for unmarried couples and single parents. In 2013, 9.6 percent of families were experiencing unemployment—that is, one or both parents wanted to work but were unable to find a job—down from 10.1 percent in 2012.<sup>26</sup> Cohabiting-couple families had the highest rates of unemployment at 17.8 percent, followed by single-parent families at 12.9 percent, and married-parent families at 7.2 percent.<sup>27</sup> While married parent families have the lowest family unemployment rates, more than half of

unemployed parents in families with dependent children are part of a married couple.<sup>28</sup>

Another trend with important policy implications is the rise in mothers in the labor force who have young children. In 2013, the employment rate of mothers with children under the age of 6 years old reached 64 percent, compared with 58 percent in 1990.<sup>29</sup> Notably, the increase in employment among single mothers has almost entirely driven this change, as the employment rate of married mothers stayed flat at 60 percent over this period.<sup>30</sup> In order to support strong and stable families, our public policies must adjust to the reality of working mothers, particularly those with young children.

A final notable trend in family employment is the rise of job schedule volatility. Increasingly,

low-wage and hourly workers must contend with work schedules that are unpredictable, frequently shift with little advance notice, and often lack flexibility. This trend brings special challenges for working parents, as nonstandard and fluctuating schedules can increase the difficulty of securing child care.<sup>31</sup>

### Children living apart from parents

Some 2.7 million children, or 3.7 percent of children in the United States, lived apart from their parents in 2013.<sup>32</sup> More than three-fourths of these children lived with grandparents or other family members; 19 percent with family friends; and 5 percent were in foster care.<sup>33</sup> Reasons for this can include homelessness, incarceration, mental or physical illness, abuse or neglect, substance abuse, their parents' young age, and



Caseworker and home visitor Stephanie Taveras, left, reads a book with Ashley Cox, center, and Cox's 16-month-old son Jaiden, February 3, 2014.

ASSOCIATED PRESS/STEVEN SENNE

immigration status. These challenges—or the inability to obtain help in addressing them—are often rooted in poverty or lack of economic or social resources. What’s more, alternative family situations such as kinship care can place

great stress—both financial and emotional—on family caregivers and put these caregivers at heightened risk of poverty as a result.<sup>34</sup>

### *Unaccompanied minors fleeing to the United States*

A recent development that poses special challenges is the flood of unaccompanied minor children fleeing violence in El Salvador, Guatemala, and Honduras and coming to the United States. Between October 2013 and July 2014, an estimated 63,000 children entered the United States under these circumstances.<sup>35</sup> An array of federal agencies—including the U.S. Department of Justice, the U.S. Department of Health and Human Services, or HHS, and others—have struggled to deal with the influx, seeking to process these children’s immigration cases in a manner that preserves due process, as well as attempting to find them suitable homes in the United States—with extended family when possible. Most Americans view the children as refugees and do not support immediate deportation, which can have fatal consequences.<sup>36</sup> President Barack Obama requested \$3.7 billion to address the situation, but as of October 2014, Congress had failed to appropriate any funds. In July, the U.S. House of Representatives passed legislation that only appropriated \$694 million—far short of the president’s request—and only after agreeing to demands by some conservative House members to include a measure terminating temporary legal status for hundreds of thousands of young immigrants.<sup>37</sup> The Senate’s attempts to pass

legislation failed and the chamber adjourned for the August recess.<sup>38</sup> As a stopgap measure, the U.S. Department of Homeland Security shifted some funds from the Federal Emergency Management Agency, or FEMA, to the HHS Office of Refugee Resettlement to address the influx of refugee children through the end of fiscal year 2014.<sup>39</sup> However, Congress failed to appropriate additional monies before the end of the fiscal year, leaving insufficient funds to meet the needs of other refugees, as well as the continued influx of children.<sup>40</sup>

In the near term, the United States should avoid putting these children in Department of Homeland Security detention facilities, instead placing them in the least restrictive setting appropriate, as required under law. Immigration hearings should occur in a timely fashion, while allowing migrants adequate time to obtain legal counsel and adequately prepare. Congress should appropriate funds to increase the number of immigration judges and reduce hearing delays and backlogs, as well as increase access to legal counsel and representation.<sup>41</sup> In the long term, Congress’s continued failure to pass comprehensive immigration reform further undermines family stability and exacerbates poverty.



### Teen and young adult pregnancy

The year 2013 marked another year of the long-term, steady decline in both teen births and the 20- to 24-year-old birth rate.<sup>42</sup> The teen birth rate declined by 10 percent between 2012 and 2013, dropping from 29.4 births per 1,000 women to 26.6. This represents a marked decline over the past two decades: For instance, in 1991, there were nearly 62 births per 1,000 teenage women.<sup>43</sup> Progress on this indicator suggests increased opportunity for young women and children, as children born to teen

mothers are less likely to complete high school and more likely to experience unemployment and underemployment in their adult years.<sup>44</sup> Birth rates were stable for women 30 years and older. Notably, nearly all of the recent increase in unmarried birth rates through 2008 was due to births among unmarried cohabiting couples, rather than single parents. Overall birth rates to unmarried women have also steadily declined. The birth rate among unmarried women has decreased by more than 13 percent from its peak in 2008, falling to 45 births per 1,000 women in 2013.<sup>45</sup>

## Policy trends in 2013 and 2014

**T**he slow economic recovery, coupled with painful cuts to vital resources for struggling families, posed significant challenges to a family-strengthening agenda during the past year. Nonetheless, positive developments included the continued rollout of the Affordable Care Act, or ACA, and action by states and cities to support strong and stable families through policies such as universal pre-K.

### Weak economic recovery

While the Great Recession officially ended in 2009, the economic recovery has remained painfully slow for many working families. Those at the top of the income ladder have seen huge gains in the wake of the recession, while most Americans have seen their wages stagnate and even decline in real terms amid rising costs.<sup>46</sup> Indeed, between 2009 and 2012, fully 95 percent of real income growth went to the

richest 1 percent of households—while wages for low- and middle-income families continued to fall in real terms despite four straight years of economic growth.<sup>47</sup> As noted above, rates of family poverty, as well as unemployment and underemployment, remained elevated in 2013. Many families have attempted to stay afloat by cobbling together multiple part-time jobs.<sup>48</sup> Economic and employment-related factors can serve as stressors for families that are already struggling to make ends meet, keep a roof over their heads, put food on the table, and maintain family bonds.

### Cuts to vital programs

Public assistance programs that promote economic security can play a critical role in keeping families together during hard times. However, an array of budget-cutting measures, including the across-the-board spending cuts

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known as sequestration—which took effect in 2013 and cost the American economy an estimated 1.6 million jobs between mid-2013 and 2014 alone<sup>49</sup>—have slashed funding for an array of such social service programs that provide important support to low-income families. In January 2014, Congress passed the Consolidated Appropriations Act of 2014, or the omnibus appropriations bill, which provides some relief from sequestration. However, this relief is limited, replacing less than half of all total sequester cuts in 2014; a smaller share in 2015; and providing no sequester relief after 2015.<sup>50</sup> Sequestration, along with other significant cuts to important public programs—the details of which are discussed in Chapter 4, “Family Economic Security”—undermine the health, economic security, and well-being of families and put them at greater risk for instability and dissolution.

- **Affordable housing:** Sequestration exacted a heavy toll on the federal government’s Housing Choice Voucher Program—commonly known as Section 8—which provides families with rent subsidies for use in the private rental market. It is estimated that sequestration resulted in a nationwide loss of at least 125,000 housing vouchers.<sup>51</sup> The omnibus appropriations bill only partially restores the cuts from sequestration for FY 2014.<sup>52</sup> But even prior to sequestration and other recent austerity measures, Section 8 vastly underserved families in need, with many communities maintaining years-long waiting lists. Housing assistance helps families avoid unnecessary separations, promotes housing stability, and reduces homeless-

ness. Without access to affordable housing, many families are forced to split up or double up—as a great number of families were forced to do during the recession<sup>53</sup>—in order to avoid living on the streets or in shelters. Importantly, the Section 8 funding cuts affect the Family Unification Program, which gives voucher priority to families for whom stable housing would either prevent a child’s removal or promote reunification.<sup>54</sup>

- **Nutrition assistance:** Large budget cuts have affected two important nutrition and health assistance programs, the Supplemental Nutrition Assistance Program, or SNAP, and the Special Supplemental Nutrition Program for Women, Infants, and Children, or WIC.<sup>55</sup> These programs not only improve health and reduce poverty, but they also pay long-term dividends: Research indicates, for instance, that children served by SNAP experience improved economic and educational outcomes as adults.<sup>56</sup>
- **Unemployment insurance:** Unemployment insurance, or UI, which provides critical financial assistance in the event of job loss, proved especially important to families during the recent economic recession. Research shows that UI prevented 1.4 million foreclosures during the recession, reducing the incidence of family upheaval, loss of home equity, and homelessness.<sup>57</sup> Yet after many months of debate, Congress failed to extend Emergency Unemployment Compensation at the end of 2013, leaving 1.3 million Americans and their families without much-needed jobless benefits at a time of elevated unemployment.

The share of jobless workers receiving UI has now reached its lowest level on record, at just one-in-four unemployed workers.<sup>58</sup>

### Child welfare services

While foster care and adoption assistance—the largest source of funding for child welfare services—has been protected from sequestration and budget cuts, programs funded by Title IV-B and the Title XX Social Services Block Grant, or SSBG, have not. Title IV-B funds efforts to prevent child abuse and neglect, to pay for adoptive services and foster care placements, and to help reunify families who were previously separated by the child welfare system. SSBG is a flexible funding stream that allows states to provide a broad range of services such as foster care to vulnerable

individuals and families. Both were hit hard by the sequester. Additionally, so-called differential-response programs—which permit child welfare agencies to work collaboratively with struggling families, rather than opening an adversarial investigation in response to allegations of abuse or neglect<sup>59</sup>—have also suffered cuts under sequestration. Adequate funding is urgently needed to ensure that local child welfare agencies have the resources they need to protect at-risk children and support strong and healthy families.

### Increased access to health insurance

The ACA represents a major positive development in a family-strengthening agenda. Access to health insurance represents both an important benefit and protection for families, as good health is a prerequisite to being an active, involved parent, and ill health and disability can be a source of great stress, financial loss, and even family dissolution. Notably, the ACA significantly decreased cost barriers to accessing contraception, putting family planning within reach for millions of women. Research has found that birth rates among teens with access to cost-free contraception are one-fifth the national average.<sup>60</sup> Furthermore, the ACA’s “mental health parity” provisions will enable 62 million more Americans<sup>61</sup>—including an estimated 27 million who were previously uninsured<sup>62</sup>—to access coverage for mental health and substance abuse care, as well as marital and individual counseling services. However, 23 states’ ongoing refusal to expand Medicaid will prevent these important benefits from reaching many low-income individuals and families.<sup>63</sup>



Madison Williams, 4, right, crosses the finish line ahead of Aiden Ha, 5, left, during a mock race among a group of preschool children in Sacramento, CA, April 8, 2014. The race was held to promote the proposed legislation for Universal Pre-Kindergarten and Preschool.

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## *Universal pre-K comes to New York City*

In March 2014, Mayor Bill de Blasio announced his plan to make pre-K available to every 4- and 5-year-old child in New York City by fall 2016. In the near term, universal pre-K will reduce the financial burden placed on low- and middle-income families by preschool and child care expenses. It will also lead to substantial job creation: New York City has already hired more than 1 thousand new teachers.<sup>64</sup>

Pre-K is also associated with significant long-term benefits: reduced poverty and income inequality, improved high school and college graduation rates,

and reduced rates of crime and incarceration.<sup>65</sup> Benefits have been particularly strong for low-income children of color.<sup>66</sup>

Universal pre-K has been implemented with success in other states—including Oklahoma and Georgia—as well as a handful of cities, such as San Francisco, Denver, and Washington, D.C. However, the rapid pace and unprecedented scale of Mayor de Blasio’s plan may finally give universal pre-K the validation required to bring about national-level change.

## Home visits

The Maternal, Infant, and Early Childhood Home Visiting, or MIECHV, program is another vital family-strengthening tool, helping parents with children from birth to age 5 develop the skills that they need in order to raise their children to be physically and developmentally healthy and school-ready. Established in 2010, MIECHV leverages decades of research documenting the effectiveness of home-visiting programs and targets high-risk families that are most likely to benefit from such services. MIECHV was hit by sequestration, but most cuts were restored through the omnibus bill in 2014,<sup>67</sup> and funding has since been extended through March 2015.<sup>68</sup>

## Criminal justice and re-entry

More than half of incarcerated Americans are parents.<sup>69</sup> The Department of Justice estimates that nearly 100 million, or one-in-three Americans have some type of criminal history.<sup>70</sup> Many individuals who are arrested are never convicted of a crime, but nonetheless end up with a criminal record that appears in background checks. Of those with convictions, most are for minor offenses. However, a criminal record of any kind can present significant barriers to economic security and family unification. Criminal justice and re-entry policies thus have direct implications for a large number of families.

The federal Second Chance Act, signed into law in 2008, serves as an important family-strengthening policy. It aids formerly incar-

cerated individuals through employment assistance and substance abuse services, supports alternatives to incarceration, and targets the needs of children with incarcerated parents, including efforts to help maintain parent-child relationships where appropriate.

Criminal justice reform has received growing attention in recent years as tight budgets have caused federal and state policymakers to explore cost-effective alternatives to mass incarceration. Policymakers and elected officials across the political spectrum have proposed

criminal justice reforms ranging from sentencing reform and alternatives to incarceration to policies to support successful re-entry by formerly incarcerated individuals. States and cities across the country have also enacted policy improvements to remove barriers to employment, such as “Ban the Box” hiring policies to reduce hiring discrimination against job applicants with criminal records,<sup>71</sup> and expanded access to expungements so that individuals with minor criminal records can increase their chances of employment.

### *Helping parents with criminal records achieve a clean slate*

In California, the San Francisco Public Defender's Office runs the Clean Slate program, which helps qualifying individuals clean up their criminal records free of charge. In some cases, records can be completely cleared; in others, offenses can be reclassified from a felony to misdemeanor status. The program was unique in California when it began by serving several dozen clients in 1998, and since then, it has helped thousands of people.<sup>72</sup> Local “clean slate” clinics and programs now operate throughout the country often under the auspices of local law schools in cities such as Philadelphia;<sup>73</sup> Durham, North Carolina;<sup>74</sup> and Oakland, California.<sup>75</sup>

For example, the San Jose State University Record Clearance Project engages undergraduates who work on a semester-long project to clear

criminal records of eligible participants.<sup>76</sup> In 2013, the San Jose project achieved 167 dismissals of convictions on behalf of 55 individuals.<sup>77</sup> Similarly, in Philadelphia, the Criminal Record Expungement Project, or C-REP, is a partnership between the University of Pennsylvania Law School and Philadelphia Lawyers for Social Equity and connects volunteer lawyers and law students with individuals seeking to expunge non-conviction criminal records.<sup>78</sup>

Additionally, in recognition of the importance of cleaning up a criminal record as an anti-poverty strategy, a growing number of organizations that provide free legal services to poor and low-income communities now offer representation in expungements and pardons.

## Child support

Child support represents an important contribution to the well-being of children who no longer reside with both parents. HHS's Child Support Enforcement program touches more than 17 million families, and more than half of all poor children, annually.<sup>79</sup> However, meeting child support payments can present a significant challenge for many disadvantaged parents with unsteady and low-paying jobs, or who are having trouble finding work. Noncustodial parents who fall behind on their payments—due

to job loss, economic hardship, or incarceration, for instance—can accumulate significant arrears and end up with crushing debt. A recent study of child support arrearages in nine states found that parents with the largest arrearages were the least able to pay.<sup>80</sup> In fact, in 21 states, incarceration is not a permissible ground for tolling child support orders, meaning that a parent who is incarcerated will accumulate sizable arrears while behind bars despite lacking earning power.<sup>81</sup> Further, federal and state collection practices may also needlessly hamper family reunification efforts.

### *Texas, Kansas, and Virginia: State innovation to boost child support payments and upward mobility for children and parents*

Two states have recently created innovative programs to boost child support payments and help families save for their child's future educational expenses. These efforts build on research that shows that even a small amount of college savings greatly increases the likelihood of college attendance, particularly among children from low-income families.<sup>82</sup>

In 2012, Texas began an 18-month pilot program to use child support arrears payments—which are often received by the custodial parent in the form of a large lump sum—as an opportunity to both promote college savings and provide financial coaching for families.<sup>83</sup> Through Texas's Child Support for College program, or CS4C, parents who used a portion of the arrears payment to open a college savings account could receive a matching contribution from the state, as well as services from a professional financial planner.<sup>84</sup> Kansas recently implemented a similar program called the Child Support Savings Initiative, or CSSI.<sup>85</sup> For every dollar invested in the child's CSSI

account, the parent's debt obligation to the state will be reduced by two dollars.

Virginia has also been home to innovation in the area of child support enforcement. A pilot program that began in four courts in 2008 has since expanded to 31 courts around the state.<sup>86</sup> The program targets noncustodial parents facing jail for nonpayment of child support and, instead of jail, connects them with employment services and case management and ensures that their monthly child support order is adjusted to an affordable amount.<sup>87</sup> According to the state, of the 2,736 noncustodial parents who participated in the program as of July 2014, 1,000 “graduated,” and the average monthly child support payment per graduate more than doubled.<sup>88</sup> Recently added into the mix is Club Reinvent, a weekly support group that provides job search help and other guidance; 85 of the approximately 150 men who have participated in Club Reinvent are reported to have found work.<sup>89</sup>



## Recommendations

**M**oving forward, policymakers must aim to strengthen families and reduce poverty on a number of fronts. Priorities should include addressing the root economic causes of family instability; updating our policies on the federal, state, and local levels to reflect the reality of changing family structures, particularly the growing ranks of working mothers and LGBT families; enacting common-sense criminal justice reforms to remove barriers to economic security and family reunification; and adapting income assistance policies to better support strong and stable families.

### Address the root economic causes of family instability

Economic insecurity is one of the primary drivers of family instability and dissolution. Thus, a family-strengthening agenda must include policies to boost family incomes and support working parents. Issues that must be addressed include:

- **Raise the minimum wage.** The minimum wage has declined in real terms over the years and is no longer enough to keep a family out of poverty. Raising the minimum wage to \$10.10 per hour would boost family economic security and children's opportunities for upward economic mobility.
- **Reduce job schedule volatility.** Workplace policies that require advance scheduling, permit employees to trade shifts with coworkers, and provide minimum hour and reporting pay protections would make a significant difference for working parents facing erratic and unpredictable job schedules.
- **Ensure adequate social insurance.** Adequate protections against the ups and downs of life are critical to keep families strong. Vital programs such as WIC, Temporary Assistance for Needy Families, or TANF, SNAP, UI, and Supplemental Security Income, or SSI, for children with disabilities<sup>90</sup> represent investments in children, families, and our nation's economic future.
- **Improve educational attainment of disadvantaged youth.** Replacing high-stakes testing with Common Core and other reforms to improve high school completion rates, coupled with investments in Pell Grants and a Public College Quality Compact that would assure college affordability for low-income students, as well as other approaches to put higher education within reach would lead to greater educational attainment. For parents, having these opportunities early is later associated with a lower likelihood of teen birth and family poverty, higher rates of employment, and increased earnings.

### Adapt policies to the reality of working mothers

- **Promote pay equity.** The gender wage gap persists, and today women earn just 78 cents on the dollar compared to men. Pay equity is not only a matter of basic fairness, but would also boost family incomes for the millions of families that have a female breadwinner or co-breadwinner.



Sabina Widmann, right, holds her baby girl Stella while domestic worker Alicia Wotherspoon, left, helps her daughter Luna with a glass of water before work at their home in San Diego, CA, September 26, 2012.

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- **Adopt basic work-family policies.** The United States is the only developed nation that lacks paid leave and paid sick days. These are basic workplace protections that enable working parents to take needed time off when they or a family member are sick or after the birth of a child.
- **Ensure affordable, high-quality child care and pre-K.** Access to affordable, high-quality child care is a prerequisite to working for parents with young children—yet remains out of reach for many low-income families, and particularly parents with erratic work schedules. Boosting investments in

the Head Start program and the Child Care and Development Block Grant, coupled with increasing flexibility and quality standards in child care subsidy policies, will help more struggling families obtain child care.

#### Implement policies to support LGBT families

- **Pass the Employment Non-Discrimination Act, or ENDA.** LGBT workers face employment discrimination that reduces their chances at employment and shrinks their families' incomes. Congress should pass ENDA to mitigate employment discrimination on the basis of sexual orientation.

- **Implement marriage equality.** Making same-sex marriage legal nationwide would enable LGBT families to enjoy the same benefits and protections as other families.

#### Enact common-sense criminal justice reforms and pro-family re-entry policies

- **Enact sentencing reform and alternatives to incarceration.** In addition to thoughtful, evidence-based sentencing reform, policymakers should explore effective and less costly alternatives to incarceration, such as “problem-solving courts,” which target and divert individuals with substance abuse and mental health challenges into treatment instead of incarceration.<sup>91</sup> Where possible and appropriate, offenders should be placed in correctional facilities at minimal distance from their families to allow incarcerated parents to maintain familial ties.
- **Implement pro-family re-entry policies.** Policymakers should remove barriers to re-entry and family reunification for parents with criminal records. Initiatives such as Ban the Box and expanded access to record expungement and pardons are important tools to reduce barriers to employment. So-called one-strike policies barring people with certain types of criminal records from residing in public housing prevent families from reuniting<sup>92</sup> and should be replaced with individualized assessments to support family unity while preserving public safety. The lifetime felony drug ban for TANF and SNAP benefits—which persists in more than half the states—should be repealed, as it results

in needless hardship for struggling families and children.

#### Modernize our safety net to support families

- **Strengthen the Earned Income Tax Credit, or EITC.** Many low-wage workers and young—particularly noncustodial parents—are largely excluded from the benefits of the EITC. The EITC should be strengthened for workers without qualifying children, such as noncustodial parents. Additionally, improvements made to the Child Tax Credit and EITC under the American Recovery and Reinvestment Act, or ARRA,<sup>93</sup> should be extended and the age eligibility lowered to 18 years old for childless workers so that the credit reaches young adult workers first entering the job market.
- **Expand Medicaid.** The refusal of 23 states to expand Medicaid to individuals under 138 percent of the federal poverty level is preventing the ACA’s benefits from reaching many struggling families. Expanding Medicaid enables low-income families to access basic health care—including needed mental health treatment—while also freeing up limited household income for other basic needs, such as paying rent and putting food on the table.
- **Reduce marriage penalties.** Certain public programs penalize marriage. At a minimum, Congress should extend the improvements made to the EITC as part of ARRA, which included a reduction in the credit’s marriage penalties. Other vital programs should be

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strengthened to remove marriage penalties and promote family economic security—for example, SSI, which significantly reduces already meager benefits for seniors and people with disabilities who are part of a married couple.

- **Reform child support policies.** States should follow the lead of Texas, Virginia, and Kansas by adopting creative strategies to boost child support payments in ways that are beneficial to children's economic future but that do

not force noncustodial parents into poverty. Additionally, the federal government should provide incentives for states to pass along a greater share of collected child support payments to families, rather than using the funds to offset state costs.

This set of policy recommendations is non-exhaustive but would represent a strong down payment on strengthening families in ways that build toward our goal of cutting poverty in half.

## *Christina Nahar, 38, Bridgeton, New Jersey*

I had my first child, my son Omar, at age 20. We lived with his father's family, in a house with no running water and at times, no electricity.

A year later, when I was seven months pregnant with my daughter Angelica, we went to a homeless shelter. I had no home, no family support, literally no one.

I entered into the Welfare to Work program and learned about Head Start through Gateway Community Action Partnership, a social service agency that placed my children in their day care program and offered me a job as a classroom aide. They also paid for my schooling, which eventually allowed me to be a group teacher. I also got my first low-income apartment.

I'm so fortunate to now be a homeowner of seven years and work in a doctor's office.

However, it still can be a struggle to make ends meet. For example, I don't have any paid days off at work, which is hard because I can't afford to lose money when I miss a day, especially considering that I'll be spending money to see a doctor or go to an appointment. I have had to go to work sick, and my children have had to go to school sick because I can't lose the income or worse, lose my job.

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# Indicators

### 13 CHILDREN LIVING APART FROM THEIR PARENTS

In 2013, 3.7 percent of children—about 2.7 million children—lived apart from both of their parents, a percentage about the same as in the previous two years. As Figure a shows, most of these children—about 76 percent—lived with their grandparents or other relatives, while 19 percent lived with nonrelatives who were not foster parents, and the remaining 5 percent lived in foster care or other arrangements. Figure b shows demographic trends in foster care over the last decade. Between 2002 and 2012, the number of children in foster care declined by 24 percent. For African American children, the decline was particularly large, at nearly 50 percent. To improve outcomes for children living apart from their parents and to strengthen families, Congress should invest in preventive services for families and children. These types of services are less expensive and generally more effective than approaches that involve high-cost institutional systems, such as foster care and prison.

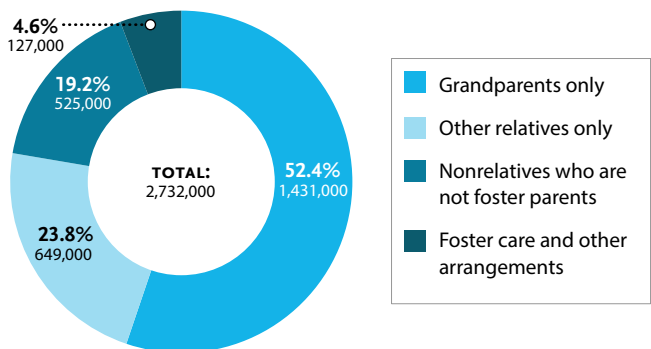


3.7%

OF CHILDREN IN THE UNITED STATES LIVED APART FROM BOTH OF THEIR PARENTS IN 2013

#### a Most children living apart from both parents live with grandparents

Number of children living apart from both parents, by living arrangement, 2013



Source: Bureau of the Census, *America's Families and Living Arrangements: 2013, Children*, Table C-9, available at <http://www.census.gov/hhes/families/data/cps2013C.html>.

#### b Number of African American children in foster care has declined by nearly half over the past decade

Number of children in foster care by race/ethnicity, 2002 and 2012

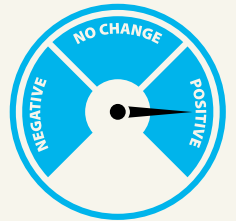
	2002	2012	Change
White	202,018	166,195	-18%
Black or African American	192,859	101,938	-47%
Hispanic (any race)	86,698	84,523	-3%
Two or more	13,857	22,942	66%
American Indian/Alaska Native	9,735	8,344	-14%
Asian	3,443	2,296	-33%
Native Hawaiian/Other Pacific Islander	1,194	789	-34%
Missing Data	13,812	12,519	-9%
Total	523,616	399,546	-24%

Source: Office of Data, Analysis, Research, and Evaluation, *Recent Demographic Trends in Foster Care* (U.S. Department of Health and Human Services, 2013), available at [http://www.acf.hhs.gov/sites/default/files/cb/data\\_brief\\_foster\\_care\\_trends1.pdf](http://www.acf.hhs.gov/sites/default/files/cb/data_brief_foster_care_trends1.pdf)

## 14 BIRTH RATE FOR TEENAGERS

Teen birth rates reached another historic low in 2013. Among every 1000 women ages 15 to 19, there were 26.6 births in 2013 compared to 29.4 in 2012. Over the last two decades, the teen birth rate has declined by more than one-half. As Figure a shows, declines in the teen birth rate have been steady for all racial and ethnic groups.

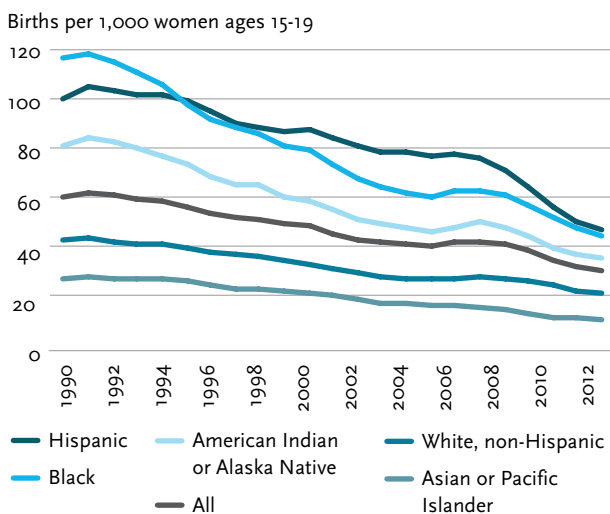
These declines are due in part to reductions in the percentage of teens that are sexually active, as well as increases in the percentage of sexually-active teens that use contraception. Figure b shows the change in both of these behaviors over the last two decades. To further reduce teen pregnancies, policies need to improve access to—and promote consistent use of—effective contraceptive methods by sexually-active teenagers.



**26.6**  
BIRTHS PER  
1,000 WOMEN  
AGES 15 TO 19  
IN 2013

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

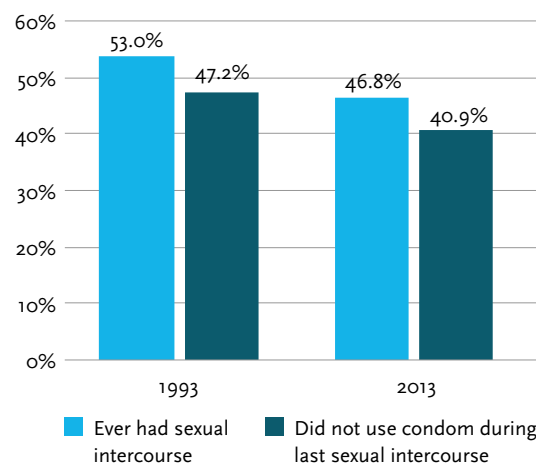
Teen birth rate by race and ethnicity, 1990 to 2012



Source: Stephanie J. Ventura, Brady E. Hamilton, and T.J. Matthews, "National and State Patterns of Teen Births in the United States, 1940–2013," *National Vital Statistics Reports* 63 (4) (2014): Table 3, available at [http://www.cdc.gov/nchs/data/nvsr/nvsr63/NVSR63\\_04.pdf](http://www.cdc.gov/nchs/data/nvsr/nvsr63/NVSR63_04.pdf).

### b Teens today are less likely to be sexually active and more likely to use condoms when they are sexually active

Sexual activity and condom use among high school students, 1993 and 2013



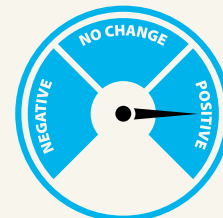
Source: Centers for Disease Control and Prevention, "Youth Risk Behavior Surveillance System: Interactive Data, 1993 and 2013," available at <http://www.cdc.gov/healthyyouth/sexualbehaviors/data.htm> (last accessed September 2014).

# 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 2013, 9.6 percent of families with children had one or more unemployed parents, spouses, or opposite-sex partners, down from 10.1 percent in 2012. As Figure a 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 opposite-sex couples had the highest unemployment rate in 2013—17.8 percent—followed by single parents at 12.9 percent and then married couples at 7.2 percent. Figure b shows the number of unemployed parents by family type. Although married couples have the lowest family unemployment rate, just over half of all unemployed parents are married.

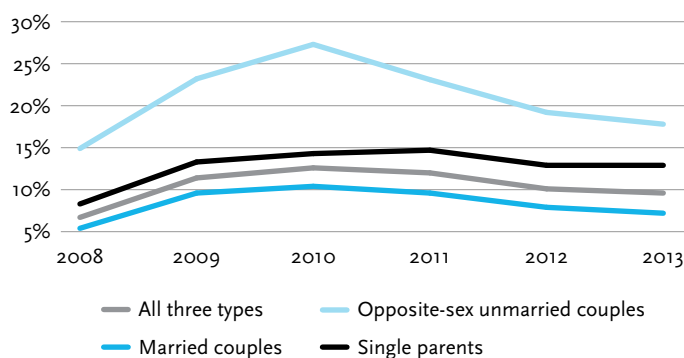
Ideally, the unemployment rate for families with parents or partners would be at levels consistent with full employment. This indicator tracks the extent to which we are meeting this goal. As with unemployment generally, lowering unemployment in families with children will require investments in public 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.



**9.6%**  
OF FAMILIES WITH  
CHILDREN INCLUDED  
ONE OR MORE  
UNEMPLOYED  
PEOPLE IN 2013

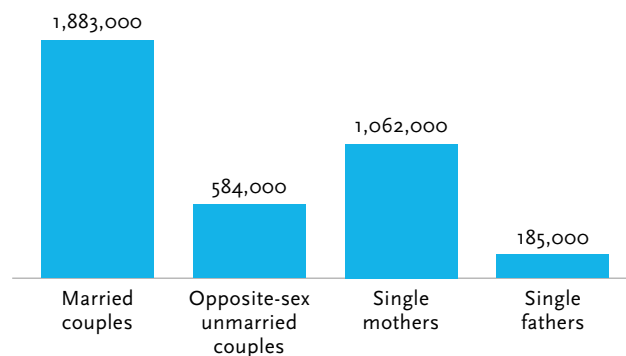
### a The unemployment rate in families with children is declining but remains high, particularly for unmarried couples and single parents

Family unemployment rates for families with children, by type, 2008 to 2013



### b Most unemployed parents in families with children are part of a married or unmarried couple

Number of unemployed parents by family type, 2013



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.

Source: Bureau of the Census, *Current Population Survey: America's Families and Living Arrangements* (U.S. Department of Commerce, 2009–2014), Detailed Tables FG1, FG5, and UC3.

Source: Bureau of the Census, *Current Population Survey: America's Families and Living Arrangements* (U.S. Department of Commerce, 2009–2014), Detailed Tables FG1, FG5, and UC3.






# Family economic security

Creating the economic foundation families need to thrive

*By Erik R. Stegman and Sarah Baron*



Maggie Barcellano plays with her 3-year-old daughter Zoe at Lakeway City Park in Lakeway, TX, January 25, 2014. Barcellano enrolled in the Supplemental Nutrition Assistance Program to help save up for paramedic training while she works as a home health aide and raises her daughter.

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*Tianna Gaines-Turner, with the Witnesses to Hunger project, recently traveled to Washington, D.C., to testify before the House Budget Committee about her daily life: “I start each day at 7 in the morning to provide childcare at a Philadelphia recreation facility. I take care of dozens of children ages 4 to 16. All of their parents are working—and they are relying on me to provide a safe and nurturing environment for their kids while they go to work.”<sup>1</sup> People such as Tianna—herself a working, married mother of three children who must rely on nutrition assistance and other federal benefits to make ends meet—live at the crossroads where many families find themselves today, struggling to gain economic security.*



*Even in the midst of a slow economic recovery, too many families face serious challenges meeting their basic needs. As we revealed in our “Good Jobs” chapter, a primary reason for this is the fact that most families are not sharing in the economic recovery and are struggling with stagnant or falling wages. The indicators we examine in this chapter help us better understand how well we are doing as a nation when it comes to supporting families in raising their children; finding and maintaining employment; providing housing, nutritious meals, and health care; and saving enough money to weather difficult times.*

These indicators of family economic security show us the direct results of the investment choices we make as a nation. Where we have lacked the political will to invest adequate resources in the supports families need to thrive, we see a direct negative impact on their bottom lines. In 2013, the across-the-board sequestration funding cuts resulted in some 70,000 families losing rental assistance. What’s more, the most recent House Appropriations Committee funding bill would keep funding at the same anemic levels.<sup>2</sup> This is but one example of the harm caused by inadequate investments in families struggling in a difficult economy. On the other hand,

where we have made serious investments—such as in health care—we are seeing results that are already improving the economic security of families across the country. These are improvements we expect to continue into the future. As with other areas, we are seeing promising leadership at the state and local levels, where even in the face of stagnant or dwindling federal investment, leaders have stepped up to improve policies to support economic security in a challenging labor market. It’s time for us to build on that local and state leadership and create real momentum at the federal level to move all of our economic security indicators in the right direction.

## Increase investment in affordable and available housing

One of the most important indicators of families’ economic security is whether they have affordable and available homes in which to live. In the years following the Great Recession, the number of new renter households has been growing at a rapid pace. Today,

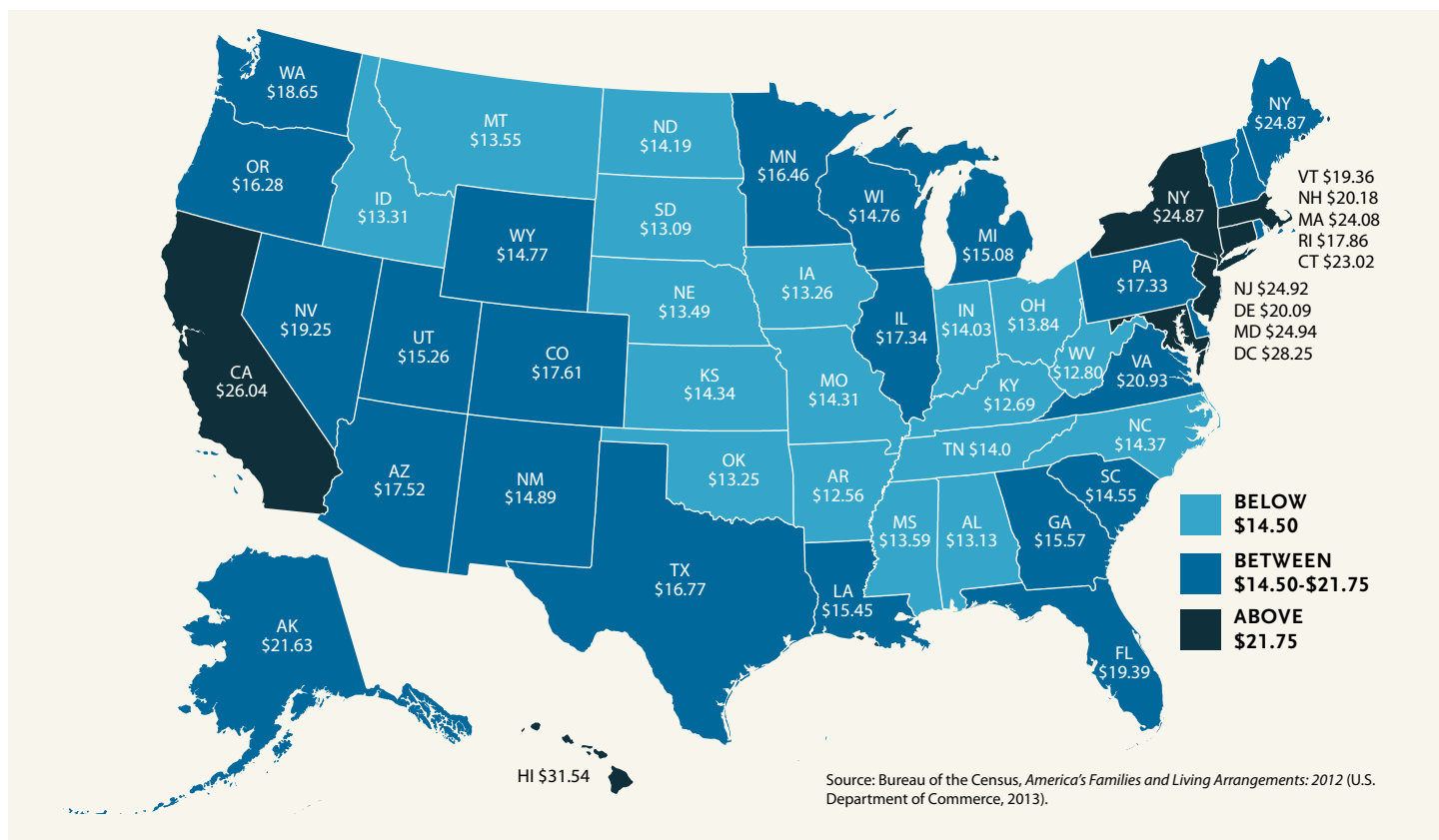
low-income renters are increasingly competing with higher-income renters flooding the rental housing market. In 2012, there were only 58 affordable and available units per every 100 very-low-income, or VLI, renter households.<sup>3</sup> These are households with an income between

30 percent and 50 percent of an area's median income. This is a slight but barely noticeable improvement over 2011, when there were 57 affordable and available units per every 100 VLI renter households. Rental markets are changing as more household types transition from homeowners to renters. Among the most notable are younger adults; low-income households; single people, particularly older adults; higher-income earners; and families with children.<sup>4</sup> More than one-quarter of the rental market growth between 2005 and 2013 was comprised

of households earning under \$15,000 annually.<sup>5</sup> Thirty percent of this growth was among households earning \$15,000 to \$29,999 annually.<sup>6</sup> The highest-income renters, those making \$75,000 or more per year, made up 23 percent of rental market growth last year—nearly the same share of growth as the lowest-income renters.<sup>7</sup> With this growth in the rental market, the U.S. vacancy rate has been cut nearly in half since the end of the Great Recession—falling from 8 percent to 4.1 percent in the fourth quarter of 2013.<sup>8</sup> In fact, the vacancy rate is

*Figure 1: How much do families need to afford rent?*

**HOURLY RATE A HOUSEHOLD MUST EARN WORKING 40 HOURS PER WEEK, 52 WEEKS PER YEAR, TO AFFORD THE FAIR MARKET RENT FOR A TWO-BEDROOM RENTAL UNIT WITHOUT PAYING MORE THAN 30 PERCENT OF ITS INCOME**





now at its lowest level since the third quarter of 2001, leading to increased rents that surpass the rate of inflation and to worsening housing-cost burdens.<sup>9</sup>

The higher housing-cost burden is one significant reason that this indicator has barely moved for the past three years and why families are increasingly forced to make difficult decisions and trade-offs. In 2012, 78 percent of VLI households paid more than 30 percent of their incomes toward rent and utilities.<sup>10</sup> A recent survey by the MacArthur Foundation found

that three out of four cost-burdened renter households cut back on other necessities such as health care in 2014 in order to afford their rents.<sup>11</sup> Communities of color face particularly serious challenges. In 2012, 27 percent of black households, 24 percent of Latino households, and 21 percent of Asian households faced severe housing-cost burdens—spending more than 50 percent of their income on housing,<sup>12</sup> compared with 14 percent of white households.<sup>13</sup> When rent and utilities consume this much of a family's budget, it leaves little room for other expenses and emergencies.

## Reduce food insecurity, which remains unacceptably high

**T**he ability of families to put nutritious food on their tables is a vital component of their overall economic security. Each year, the U.S. Department of Agriculture, or USDA, tracks food insecurity in the United States. A household is considered food insecure if it does not have consistent access to enough food for its members to lead active, healthy lives sometime during the year.<sup>14</sup> In 2013, the food insecurity rate was 14.3 percent, meaning that 17.5 million Americans lacked reliable access to sufficient and affordable nutrition; 19.5 percent of these households had children, and the overall rate was statistically unchanged from 2012.<sup>15</sup> The rate is still significantly higher than it was before the Great Recession. It stood at 11.1 percent in 2007.<sup>16</sup> The Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, is one of the nation's most effective anti-hunger and anti-poverty programs, especially during economic downturns.

In 2012, SNAP lifted about 4.9 million people out of poverty, including 2.2 million children.<sup>17</sup> SNAP was particularly effective in the direct aftermath of the economic crisis, when large numbers of Americans fell below the federal poverty line and experienced unemployment.<sup>18</sup>

SNAP was able to respond to such increased need due to a benefit boost included in the 2009 American Recovery and Reinvestment Act, or ARRA.<sup>19</sup> When this modest boost in benefits for all SNAP recipients was allowed to expire beginning in November 2013, nearly 47 million Americans—including 22 million children—had their benefits cut. This resulted in a serious loss for SNAP families, who now average less than \$1.40 per person per meal.<sup>20</sup> Only months after the ARRA benefit cut, Congress passed a new farm bill in February 2014 that included further cuts to nutrition assistance. The new bill cut SNAP spending by

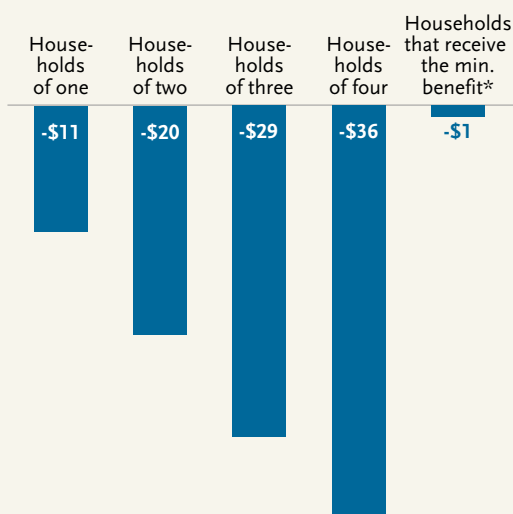
about \$8.6 billion.<sup>21</sup> It is projected that 850,000 households will lose about \$90 in monthly benefits.<sup>22</sup> This latest cut came only a month after the Institute of Medicine issued a report that showed SNAP benefit levels were already too low.<sup>23</sup>

As with other indicators, many states have exercised their flexibility in the administration of SNAP to do what they can to address these harmful cuts. In the farm bill, states have the ability to coordinate heating and food assistance through a provision called “Heat and

Eat,” which allows them to reduce administrative costs and burdens on recipients. Although Congress limited Heat and Eat in the most recent farm bill, it did not eliminate it. As of June 2014, the states that opted to maintain their Heat and Eat coordination included California, Connecticut, Massachusetts, Montana, New York, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington, as well as the District of Columbia.<sup>24</sup> Low-income families in these states will be able to access more nutrition assistance because they are also enrolled in the federally funded Low Income Home Energy Assistance Program, which helps them pay their utility bills. The provision was always intended to ensure that families do not need to choose between things such as heating their homes and putting nutritious food on their tables.

*Figure 2: All SNAP households saw a benefit cut in November 2013*

**MONTHLY CUT IN SNAP BENEFITS BY HOUSEHOLD SIZE**



\* Households of size one or two that qualify for less than \$16 have their benefits rounded up to the minimum benefits. That amount dropped to \$15 in FY 2014. Source: Stacy Dean and Dottie Rosenbaum, “SNAP Benefits Will Be Cut for Nearly All Participants In November” (Washington: Center on Budget and Policy Priorities, 2013), available at <http://www.cbpp.org/cms/?fa=view&id=3899>.

Child food insecurity is particularly troubling and remains unacceptably high, as 3.9 million households were unable to provide adequate, nutritious food for their children at times during 2013.<sup>25</sup> A glaring gap in assistance for these children comes during the summer months when school is in recess. The federal Summer Food Service Program plays a vital role in providing low-income children with needed food and nutrition when they lose access to the free or reduced-price meals they receive during the academic year.<sup>26</sup> However, because only one in six kids who receive school lunch during the year has access to summer meals, reforms to this program are needed to ensure that more low-income schoolchildren can get the nutrition they need during the summer months.<sup>27</sup>





Laura Fritz, 27, left, with her daughter Adalade Goudeseune fills out a form at the Jefferson Action Center, an assistance center in the Denver suburb of Lakewood.

ASSOCIATED PRESS/KRISTEN WYATT

## Expand access to affordable child care

Affordable and high-quality child care allows parents the flexibility and support to go to work and school. But for too many families, the lack of child care access becomes a serious barrier to training and employment. The average annual cost of full-time child care at market rates ranges from approximately \$3,900 to \$15,000.<sup>28</sup> Families living below the poverty line who pay out of pocket for child care now spend nearly 30 percent of their incomes on child care, compared with those families at 200 percent of the poverty line or higher, who spend approximately 7 percent of their incomes on child care.<sup>29</sup> Even though the case for providing affordable and high-quality child care is clear when it comes to family economic security, the ratio of federal funding to eligible low-income children is far from sufficient. In 2012, the most recent year for which data are available, the Child Care and Development Block Grant, or CCDBG, served, on

average, about 1.5 million children per month. This is a decline of nearly 120,000 children compared with the previous year—and more than 300,000 less children from its peak in 2001.<sup>30</sup> This is partly due to the complete exhaustion of a \$2 billion increase in federal funding for CCDBG under the American Recovery and Reinvestment Act. Funds from this increase had to be spent down by September 2011. Although there were slight increases in funding for CCDBG in fiscal years 2011 and 2012, they failed to even meet costs that rose due to inflation.<sup>31</sup> In FY 2014, there was a \$154 million funding increase for child care in CCDBG above the postsequester 2013 level, which fully restored the sequester cuts but did not maintain the ARRA increase.<sup>32</sup>

Current federal investments still fall woefully short of the needs of low-income families.<sup>33</sup> In 2012, the most recent year for which data

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are available, the number of children served in CCDBG-funded child care fell to a 14-year low.<sup>34</sup> According to the Center for Law and Social Policy, when adjusted for inflation, CCDBG spending has fallen to 1998 levels.<sup>35</sup> Perhaps even more unsettling is the fact that five out of six children who are actually eligible for assistance are not receiving any help, according to the Department of Health and Human Services.<sup>36</sup>

In the context of seriously inadequate federal investment in child care, there have been

mixed developments at the local level, with some states stepping up to improve their child care policies and others choosing to disinvest. According to the National Women's Law Center, families in 24 states were worse off in February 2013 than they were in 2012 under one or more state child care assistance policies.<sup>37</sup> In 27 states, families were better off under one or more policies during the same period.<sup>38</sup> This is the first time in the past two years when more states have seen a slight improvement for families rather than a worsening.<sup>39</sup>

## Increase access to unemployment insurance

It continues to be exceedingly difficult for unemployed workers to access unemployment insurance benefits. The rate of unemployed people's access to benefits fell by more than 7 percentage points—to 48.8 percent—in 2012, and this trend can be seen again this year, as the rate of unemployed people who received benefits in 2013 fell by roughly 8 percentage points to 40.5 percent.<sup>40</sup> The continued decline in this indicator reflects poor policy decisions and congressional inaction over the past several years, despite unemployment insurance being a crucial lifeline for jobless workers and their families. In our current economic climate, unemployment insurance should be strengthened in order to provide avenues to re-employment. Congress, however, let the federal Emergency Unemployment Compensation, or EUC, program expire in December 2013. Congress' continued failure to restore federal unemployment insurance—which is projected to cause more than 4 million jobless workers and their families to go without critical

aid by the end of 2014<sup>41</sup>—comes as it is simultaneously failing to pass legislation to create more jobs. Never before has Congress failed to renew unemployment insurance for struggling Americans when the unemployment rate is so high. Even before the EUC program lapsed in December 2013, several states had been restricting eligibility and drastically cutting back benefits,<sup>42</sup> as well as rolling back the improvements they made under the American Recovery and Reinvestment Act.<sup>43</sup> These actions are taking us in the wrong direction. In order for families and the economy to prosper and thrive, we must provide needed support and increased pathways to help people find work, not create further barriers to employment and economic security.

In response to the Great Recession, several provisions in ARRA strengthened benefits for the unemployed, recognizing these efforts were key to supporting jobless workers in the tough economy and ultimately to con-

necting the unemployed with jobs. The provisions provided states with incentive funds to modernize their benefit programs to support

low-wage and part-time workers, workers with dependents, jobless workers in training programs, and more.<sup>44</sup>

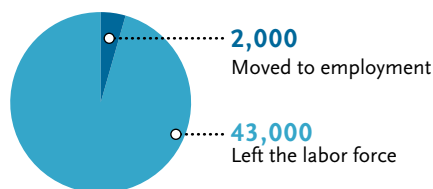
### *Lessons from North Carolina: We must strengthen, not weaken, unemployment insurance*

In June 2013, North Carolina lawmakers drastically cut the state's unemployment insurance benefits for jobless workers by reducing the maximum weekly benefit from \$520 per week to \$350 per week; reducing the maximum duration of benefits from 26 weeks to 20 weeks and putting it on a sliding scale that could go as low as 12 weeks; and altering the benefit-calculation formula.<sup>45</sup> The cuts were so drastic that North Carolina no longer qualifies for federal unemployment insurance, causing 170,000 North Carolinians to lose federal benefits and the state to lose more than \$1 billion of economic activity in production revenues and other areas.<sup>46</sup> The state's lawmakers claimed that cutting benefits would force job seekers to find work, but more than a year later, this policy decision has resulted in thousands of North Carolinians dropping out of the labor force altogether instead of entering employment. After unemployment benefits were cut, roughly 43,000<sup>47</sup> jobless workers stopped looking for work. The state's unemployment rate did fall—from 8.8 percent in June 2013 to 8 percent in October of that year—but if North Carolina's labor-force participation rate had remained steady, its unemployment rate would have increased to 9.1 percent.<sup>48</sup> This is also reflected in the state's employment rate, which declined over the same

period.<sup>49</sup> States should heed the lessons learned from North Carolina's benefit cuts. If the goal is to move people into employment, now is the time to provide extra support and security to jobless workers who are struggling by strengthening unemployment insurance. Measures must be avoided that force already struggling workers into even more dire economic straits that ultimately prevent them from participating in the labor force altogether, especially as the economic recovery remains tepid.

#### *North Carolina experienced historic decline in labor force participation due to drastic cuts to unemployment insurance*

##### **PEOPLE WHO LEFT THE LABOR FORCE AND MOVED TO EMPLOYMENT AFTER THE BENEFIT CUT, JULY TO OCTOBER 2013**



Source: James Pethokoukis, "What does North Carolina's big cut in jobless benefits really prove?", American Enterprise Institute, December 18, 2013, available at <http://www.aei-ideas.org/2013/12/what-does-north-carolinas-big-cut-in-jobless-benefits-really-prove/>.

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## Asset poverty threatens family economic security

An important component of family economic security is the ability to adequately meet basic, day-to-day needs such as housing, health care, child care, and nutritious meals. Family economic security is also built on the ability to save in order to meet those needs when a parent loses employment or when issues such as medical emergencies arise. The ability to save is what keeps families from the brink of poverty and ensures their ability to weather tough times and to plan for the future.

In 2011, 25.4 percent of households were asset poor, compared with 26 percent in 2010—essentially stagnant.<sup>50</sup> 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. In 2013, a family of four would be considered asset poor if they had a net worth of less than \$5,887.<sup>51</sup> Moreover, the number of vulnerable households may be even higher than the asset poverty rate suggests; 48 percent of households recently surveyed by the Federal Reserve stated that they would have trouble coming up with \$400 in an emergency without borrowing or selling something.<sup>52</sup>

Given stagnant wages and deepening income inequality, it is not surprising that wealth inequality has also increased. In fact, a recent analysis by the Russell Sage Foundation found that not only did wealth inequality increase sig-

nificantly between 2003 and 2013, but it also, according to certain metrics, nearly doubled.<sup>53</sup> Between 1984 and 2013, wealth in the 95th percentile nearly doubled, median family wealth—those households in the 50th percentile—fell by 20 percent, and households in the bottom 25th percentile saw their wealth fall by more than 60 percent.<sup>54</sup> In order to move this indicator in the right direction for low-income families and to improve their ability to save and build assets, we must first and foremost help them earn a living wage and reduce income inequality, as we outlined in our “Good Jobs” chapter. Second, we need to pass policies at the state and federal levels that give low-income families more access to safe and affordable financial products and that rein in predatory lenders that ultimately strip wealth from vulnerable borrowers. Two particularly pervasive and harmful products are payday loans—loans pledged against the next paycheck or benefit check—and auto title loans—loans borrowed against the value of one’s car. The interest on a typical two-week payday loan is 391 percent annually, 12 times more expensive than a high-cost credit card.<sup>55</sup> At such high rates, borrowers are often unable to pay back the loan in full. According to the Consumer Financial Protection Bureau, or CFPB, four out of five borrowers roll over a payday loan within 14 days, and the median borrower is in debt for more than six months.<sup>56</sup> As for auto title loans, thousands of borrowers see their cars repossessed each year due to nonpayment; 35,000 cars were repossessed in Texas in 2012.<sup>57</sup> Low-

income families already struggle to make ends meet and to save for a rainy day. When companies aggressively market wealth-stripping loan

products, they only compound a very challenging situation and persistently threaten families' economic security.

### *Local governments push back on payday lending in Arizona*

In Arizona, payday lending was legalized in 2000 for a 10-year trial period, with annual interest rates as high as 460 percent.<sup>58</sup> At its peak in the mid-2000s, there were hundreds of payday lenders in the state, with more stores than Starbucks and McDonald's locations combined.<sup>59</sup> In Maricopa County alone, payday lending was a \$99 million business, with the vast majority of stores located in low-income neighborhoods.<sup>60</sup> While the state legislature would have needed to act to stop payday lending, cities and counties began to use their zoning authority to limit where payday lenders could be located, just as they regulate tattoo parlors, liquor stores, and adult video stores.<sup>61</sup>

In 2008, anticipating the end of the temporary licenses, a measure to keep payday lenders in business was placed on the ballot. That fall, 60 percent of Arizonans voted against the measure,

effectively banning payday loans within the state—and the legislature stood by the will of the voters. In 2010, the licenses expired, and the maximum interest rate on payday loans fell to 36 percent.<sup>62</sup> This has not been a total victory. Communities that successfully ended payday lending are now dealing with a rapid increase in auto title lenders, who remain legal in Arizona and are largely clustered in low-income neighborhoods and communities of color.<sup>63</sup> While a ban on auto title lending would require state action, cities such as Phoenix are again using zoning authority to keep lenders from dominating neighborhoods.<sup>64</sup> Phoenix is one of more than 100 municipalities nationwide to limit where predatory lenders can set up shop.<sup>65</sup> Cities have also encouraged alternatives to predatory, high-cost lending. In San Francisco, California, for example, the Payday Plus SF initiative helps refer vulnerable borrowers to affordable lending available at local credit unions.<sup>66</sup>

Poor families also struggle with asset limits, which are state eligibility thresholds placed on assets and income for programs such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families, or TANF. Asset limits are an additional barrier for low-income families, and they discourage saving. Too often, these limits are unworkable and force families to spend down what little assets they have in order to receive needed

benefits. Assets such as an inexpensive car used to get to work can count toward these limits, leaving families with no good option—they either receive needed benefits or get rid of other critical resources. However, states have the power to remove these harmful barriers. For example, they can simply eliminate asset tests for TANF and SNAP. Currently, 42 states have eliminated these asset tests.<sup>67</sup>

## Health care coverage

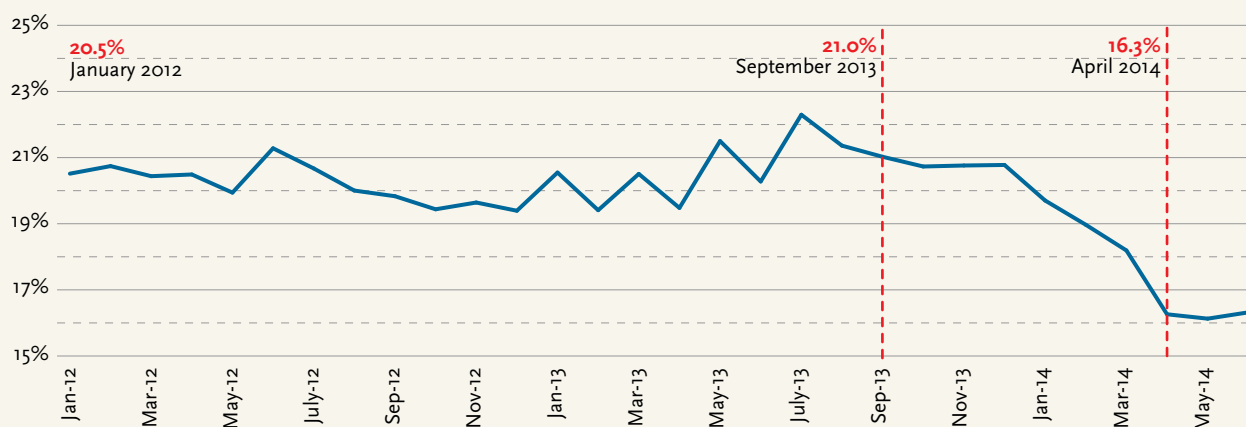
Health and medical expenses are among the largest drains on the incomes of American families, particularly for low-income families struggling to maintain economic security. In 2012, medical out-of-pocket costs pushed 10.7 million people into poverty,<sup>68</sup> and nearly one in six families had problems paying their medical bills.<sup>69</sup>

Fortunately, the passage of the Affordable Care Act, or ACA, is an example of a long-term investment that is already showing positive change, especially for low-income Americans

through the expansion of Medicaid. While the rate of people without health insurance fell from 15.4 percent in 2012 to 13.4 percent in 2013,<sup>70</sup> this is not indicative of the full impact of the ACA, as the vast majority of people who have gained insurance under the law will not be reflected until next year's data are released. *The New England Journal of Medicine*, however, found a significant decline in the uninsurance rate—5.2 percentage points—among adults ages 18 to 64 through mid-2014, a time span that coincides with the initial open enrollment period under the ACA.<sup>71</sup>

### *Significant decline in uninsurance rate during open enrollment under the ACA*

**PERCENTAGE OF ADULTS AGES 18 TO 64 WITHOUT HEALTH INSURANCE, JANUARY 2012 THROUGH JUNE 2014**



Source: Benjamin D. Sommers and others, "Health Reform and Changes in Health Insurance Coverage in 2014," *The New England Journal of Medicine* 371 (2014): 867–874, available at <http://www.nejm.org/doi/full/10.1056/NEJMSr1406753>.

Millions of people have already gained insurance. As of mid-April 2014, more than 8 million people had selected new affordable health insurance plans through the marketplaces set up under the provisions of the ACA,<sup>72</sup> and

roughly 7.2 million additional individuals had enrolled in Medicaid and the Children's Health Insurance Program, or CHIP, through June 2014—a 12.4 percent increase over the average monthly enrollment for July through September



2013.<sup>73</sup> Among states with Medicaid expansions in effect in June 2014, Medicaid and CHIP enrollment increased by more than 18.5 percent compared with the baseline period of July to September 2013, while states that had not expanded Medicaid reported an increase of only 4 percent over the same period.<sup>74</sup>

The decline in the rates of uninsured people in states that have expanded Medicaid—27 states and the District of Columbia—is impressive. In states that have expanded Medicaid, all individuals with incomes up to four times the poverty level are eligible for financial assistance if other coverage is not available. In states that have chosen not to expand Medicaid, many adults

who live below the poverty line will fall into a so-called coverage gap and receive no assistance.<sup>75</sup> Currently, nearly 5 million low-income individuals who could be newly eligible for Medicaid under the ACA fall into this gap due to 23 states' refusal to expand it. Fortunately, low-income people who live in states that have expanded Medicaid are estimated to benefit from broad improvements in their health and economic security, including greater access to care, increased financial well-being, better physical and mental health, and lower mortality rates.<sup>76</sup> Low-income adults who live in states without expanded Medicaid are more likely to experience more health problems than their counterparts in expansion states.<sup>77</sup>

*Figure 5: Rate of uninsured has declined in states that expanded Medicaid*

**CHANGES IN UNINSURED RATE AMONG ADULTS AGES 18 TO 64 ACCORDING TO INCOME LEVEL AND STATE MEDICAID EXPANSION STATUS, 2012 TO 2014**

Income level	Baseline uninsured rate Percent	Second quarter 2014, Change from baseline Percentage points
<b>Less than or equal to 138 percent of the federal poverty level</b>		
States without Medicaid expansion	60	- 3.1
States with Medicaid expansion	56.1	- 6
<b>139 percent to 400 percent of the federal poverty level</b>		
States without Medicaid expansion	21	- 5.5
States with Medicaid expansion	18.6	- 9
<b>More than 400 percent of the federal poverty level</b>		
States without Medicaid expansion	1.8	- 1
States with Medicaid expansion	2	- 0.7

Source: Benjamin D. Sommers and others, "Health Reform and Changes in Health Insurance Coverage in 2014," *The New England Journal of Medicine* 371 (2014): 867–874, available at <http://www.nejm.org/doi/full/10.1056/NEJMsr1406753>.

## *Medicaid expansion is already benefiting low-income Kentuckians*

Kentucky is a model for the successful implementation of the ACA thanks to Kynect, its state-run health insurance marketplace, and especially to state policymakers' decision to expand Medicaid. The evidence of the benefits of Medicaid expansion can already be seen in the increase in the number of insured individuals; the increased use of preventive care services across the state;<sup>78</sup> and the increased Medicaid reimbursements for health care providers, particularly hospitals. As of April 2014, 290,000<sup>79</sup> low-income Kentuckians had signed up for health coverage through Medicaid expansion, and a minimum of \$284 million from the expansion flowed to Kentucky health care providers in the first six months of 2014.<sup>80</sup> More than 413,000 Kentuckians have signed up for health insurance through Kynect, which includes roughly 83,000 people who purchased private insurance through the marketplace.<sup>81</sup> In 2012, at least 17 percent of residents were uninsured in Kentucky's 75 counties, with several counties with rates above 20 percent.<sup>82</sup> Today, almost no counties have uninsured rates above 17 percent, and Kentucky's uninsurance rate

was 14.3 percent in 2013.<sup>83</sup> Even in the southeast region of the state, where some of the poorest counties are located and which previously had the highest rates of uninsurance, only 5 percent of residents are currently uninsured, a decrease mostly owed to the Medicaid expansion.<sup>84</sup> This new population of insured Kentuckians is putting its new coverage to good use by taking advantage of preventive services, which include annual dental visits, breast and cervical cancer screenings, and more.<sup>85</sup> Over the past year, dental visits through Medicaid increased by nearly 16 percent, and adult preventive services grew by nearly 37 percent, with the result of improved health and quality of life.<sup>86</sup> Kentucky is also among the few states that have integrated their Medicaid enrollment and eligibility with their state marketplaces. Therefore, access to care for all Kentuckians is streamlined in a centralized location.<sup>87</sup> Low-income Americans living in every state across the country should be reaping the same health care benefits as Kentuckians. The evidence is clear: It is time to expand Medicaid in all states.

## Recommendations

### Support legislation that puts affordable and available housing within the reach of more families

- Raising the minimum wage at the national, state, and local levels would go a long way toward helping families better afford adequate housing. As we have highlighted in other areas of this report, important movements at the state and local levels have started to build momentum to raise the wage at the federal level. An increase is sorely needed. On average, it takes 2.6 full-time, minimum-wage jobs—at the current federal rate of \$7.25 per hour—to afford an adequate two-bedroom rental unit.<sup>88</sup> Unfortunately, there is not one state in the country where a minimum-wage worker who works a standard 40-hour work-week can afford a two-bedroom rental unit at fair-market rent.<sup>89</sup> Although raising the federal minimum wage to \$10.10 per hour will not close the affordability gap for low-income renter households, especially in high-cost markets, it will do a lot to help families spending more than 30 percent of their incomes on rent and utilities.
- Congress should restore dedicated funding sources for the National Housing Trust Fund. This fund was established in 2008 as a community development block grant for states to produce, preserve, rehabilitate, and operate dedicated low-income housing.<sup>90</sup> The fund was supposed to be supported by assessments on Fannie Mae and Freddie Mac, but the assessments were suspended during the

financial crisis and have yet to be restored. These suspensions should be lifted now that the two companies and the housing market are recovering. Furthermore, Congress should identify other sources of dedicated revenue as it examines options for housing finance system reform.

- Congress should reverse the harm done by sequestration to the Department of Housing and Urban Development Section 8 Housing Choice Voucher Program. Currently, the House and Senate versions of the fiscal year 2015 funding proposed for the program would lock in a sequestration loss of more than 70,000 vouchers for low-income families in need of rental assistance.<sup>91</sup>

### Provide greater access to affordable and high-quality child care

- Congress needs to increase its investment in the Child Care and Development Fund. When adjusted for inflation, total spending on child care assistance has fallen to 1998 levels.<sup>92</sup> Five out of six children are not getting any assistance, even though they are eligible for it. Studies have shown that increasing investments will help parents find work and improve their children's development outcomes.<sup>93</sup>
- Congress should meet President Barack Obama's call to action in his 2013 State of the Union address and provide broad access to early childhood education and child care for all children by passing the Strong Start for



Lori Latch, left, with her son Eric Latch, right, in their home in North Little Rock, AR, February 4, 2014. Latch said she was looking forward to having health insurance for the first time since she was a teenager.

ASSOCIATED PRESS/BRIAN CHILSON

America's Children Act of 2013, which would provide high-quality preschool for all 4 year-olds from low- and moderate-income families. It would also increase access to preschool, early learning, and child care programs for children under 5 years old through state and federal partnerships.<sup>94</sup>

- Congress should make the Child and Dependent Care Tax Credit refundable so that it benefits all low-income families raising children.<sup>95</sup>

### Strengthen and expand existing programs and support new programs to ensure food security for families in need

- Congress should pass legislation to provide additional support to low-income families and children during the summer. It should expand the reach of the Summer Food Service Program in order to reach more hungry children by lowering the area eligibility poverty threshold—the percentage of children in an area eligible for free or reduced-price meals—and by allowing

more communities with significant numbers of low-income children to participate.<sup>96</sup> Currently, 50 percent or more of children in an area must qualify for free or reduced-price meals for the area to qualify as a summer meal site.<sup>97</sup> Also, all low-income families with children who qualify for free or reduced-price school meals should be provided with a summer Electronic Benefits Transfer, or EBT, card, akin to the Supplemental Nutrition Assistance Program EBT card. This would provide another resource for low-income children to access food in the summer in addition to the Summer Food Service Program.<sup>98</sup> The Stop Child Summer Hunger Act of 2014 and the Summer Meals Act of 2014, both currently before Congress, provide these opportunities to invest in and prioritize our nation's children.

- Congress should replace the Thrifty Food Plan, or TFP—the current basis for SNAP benefit allotment, which makes unrealistic assumptions about the availability and affordability of food—with the Low-Cost Food Plan to more adequately meet the needs of low-income families.<sup>99</sup> Even before the significant cuts to SNAP over the past year, monthly benefits consistently fell short of getting most families through the entire month, let alone providing them with a nutritious diet.<sup>100</sup> The Low-Cost Food Plan, with an average monthly allotment of \$822, is about 30 percent higher than the TFP, which has an average monthly allotment of \$627. Most importantly, the Low-Cost Food Plan allows for greater variety and choices to support a realistic, healthy diet on a monthly basis, and it far better aligns with what low- and moderate-income families report they need to spend on food.<sup>101</sup>

### Eliminate asset tests and support stronger regulation of predatory lending practices

- Congress should support, not restrict, the Consumer Financial Protection Bureau in its efforts to regulate unfair lending practices. The CFPB should also use its existing authority to identify and encourage improvements to existing consumer regulations that will protect low-income families from predatory lending practices.
- Congress should pass legislation to rein in predatory lending practices by capping annual interest rates at 36 percent for all borrowers. In 2007, Congress took this step for members of the military and their families to protect them from predatory actors, and it should extend these protections to all Americans.
- Congress should preserve state flexibility to lift asset limits on public benefit programs such as SNAP and Temporary Assistance for Needy Families. States should take advantage of this flexibility and eliminate these tests to reduce barriers to saving for low-income families.

### Expand access to health care insurance coverage

- The 23 states that have yet to expand Medicaid under the Affordable Care Act should do so immediately.<sup>102</sup> Medicaid expansion is a win-win for states; while nearly 5 million low-income Americans will gain health and financial security, states do not have to pay any percentage of the expansion



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cost until 2017. Even then, the federal government will gradually transition to covering 90 percent of the cost through 2020.<sup>103</sup> In addition, Medicaid expansion is an economic boon to states due to increased business activity, productivity, and savings and revenues.<sup>104</sup> Meanwhile, nonexpansion states are incurring costs as they continue to pay for the treatment of the uninsured in hospitals, public clinics, and other care facilities with state tax dollars, which is more expensive than the minimal share they would pay under Medicaid expansion.<sup>105</sup> In addition, nonexpansion states are foregoing federal money while their residents' tax dollars go toward the expansion's implementation in other states.<sup>106</sup>

- Medicaid expansion in just two states, Florida and Texas, would provide health coverage to nearly 2 million low-income Americans.<sup>107</sup>

### Improve unemployment insurance

- To get this indicator back on track, the focus must be on the ultimate goal of unemployment insurance, which is to get people back to work. To start, Congress must extend federal unemployment insurance immediately. More than 2.5 million unemployed Americans have been struggling for too long without this critical support. It has been devastating to them and their families and also has drained nearly \$5 billion from the economy in the first three months of 2014.<sup>108</sup> Not only is the failure to renew Emergency Unemployment Compensation historically unprecedented, but the current long-term

unemployment rate is also double what it was when Congress allowed EUC benefits to lapse after past recessions.<sup>109</sup> The American people and our economy cannot afford for this inaction to continue.

- Moving forward, Congress must consider longer-term reforms to unemployment insurance and strengthen re-employment efforts. It should promote stricter federal standards for unemployment insurance to ensure that every state pays a minimum of the full 26 weeks of benefits. Additionally, the federal government should maintain the option for states to provide extended unemployment benefits for long-term unemployed workers enrolled in state-approved training programs, which was part of the unemployment insurance modernization incentives under the American Recovery and Reinvestment Act. Congress should also invest in re-employment services by increasing funding for the Public Employment Service by \$1.6 billion to expand job-search and job-placement services to an additional 2.8 million workers annually.<sup>110</sup>
- States should take advantage of the option to enable workers to receive benefits during periods of partial unemployment—such as when work hours and pay are reduced, which frequently occurs in today's economy. States should also enact policies that spread total hours worked across more workers, such as work-sharing or short-time compensation, to avoid layoffs while allowing participating workers' to retain their jobs and their economic security as their fringe benefits continue.



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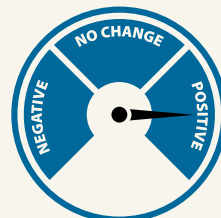


# Indicators

## 16 HEALTH INSURANCE COVERAGE

The percentage of people without health insurance fell from 14.8 percent in 2012 to 14.5 percent in 2013. As figure a shows, the uninsurance rate in 2013 was 1 percentage point lower than in 2010. While the percentage of low-income Americans without health insurance remains much higher than the overall rate, it is also on the decline. As figure b shows, there were statistically significant declines in the percentage of uninsured people for nearly all racial/ethnic groups between 2012 and 2013.

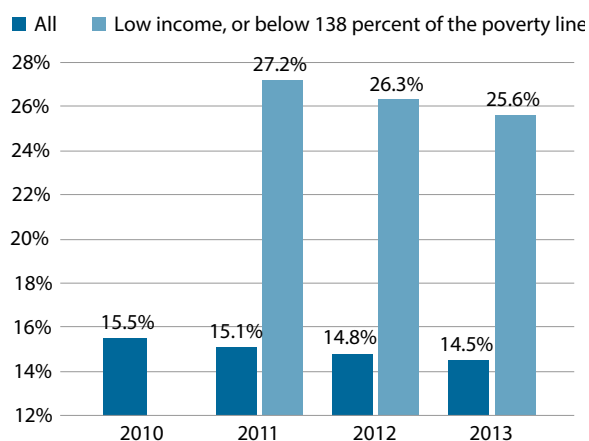
Because these data are for last year, they do not reflect the full implementation of the Affordable Care Act in 2014. Non-official data suggests there will be substantial improvements on this indicator when official data is available for 2014. To continue to reduce uninsurance among low-income Americans, all states need to fully implement the Affordable Care Act by expanding Medicaid coverage to eligible uninsured people with incomes below 138 percent of the federal poverty line.



**14.5%**  
OF AMERICANS DID  
NOT HAVE HEALTH  
INSURANCE IN 2013

### a Percentage of Americans without health insurance is falling

Uninsurance rate for all incomes, 2010 to 2013, and low income



Source: Bureau of the Census, *American Community Survey* (U.S. Department of Commerce, 2010–2013), Table S2701.

### b Uninsurance rate declined between 2012 and 2013 for most groups

People without health insurance, by race and ethnicity in 2012 and 2013

	2012		2013		Difference	
	Uninsured (in 1000s)	Percent uninsured	Uninsured (in 1000s)	Percent uninsured	Uninsured (in 1000s)	Percent uninsured
White, not Hispanic	20,156	10.4	19,815	10.2	*-341	*-0.2
Black	6,629	17.3	6,604	17.1	-25	*-0.2
American Indian or Alaska Native	686	27.4	662	26.9	*-24	-0.5
Asian	2,321	15.0	2,329	14.6	8	*-0.4
Native Hawaiian and other Pacific Islander	95	18.0	92	17.9	-4	-0.1
Hispanic, any race	15,164	29.0	15,107	28.4	-57	*-0.7

\* Indicates that the estimate is significantly different, at a 90 percent confidence level, than the estimate from the most current year.

Source: Bureau of the Census, *2013 American Community Survey* (U.S. Department of Commerce, 2014), Additional Health Insurance Tables, Table HI, available at <http://www.census.gov/hhes/www/hlthins/data/incpovhlth/2013/acs-tables.html>.

## 17 AFFORDABLE CHILD CARE

This indicator tracks the number of children whose parents receive child care assistance funded through the Child Care and Development Fund, or CCDF. In 2012, the most recent year for which data are available, CCDF served about 1.5 million children on average per month. As Figure a shows, this is a decline of nearly 120,000 children compared to the previous year and more than 300,000 children from its peak in 2001. Because CCDF funding has been basically flat in real terms since 2012, there is no reason to expect a significant uptick in 2013 or 2014. At the same time, as Figure a also shows, the number of low-income children who are potentially eligible for child care assistance—children under age 13 with family incomes below 150 percent of the poverty line, a relatively conservative proxy for CCDF income eligibility—is much greater today than in the early 2000s. In 2013, about 17.5 million children under age 13 had family incomes below 150 percent of poverty, some 2.6 million more than in 2001.

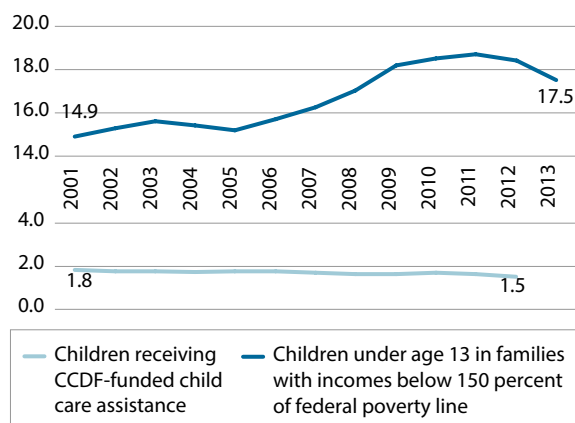
The negative trend is due to Congress's failure to increase regular child care funding sufficiently to keep pace with inflation and increased need. As Figure b shows, adjusted only for inflation, federal funding for the Child Care and Development Fund was 14 percent lower in fiscal year 2014 than in fiscal year 2001. Congress should expand access to child care by making responsible investments in the Child Care and Development Fund. 1.5 million children received CCDF-funded child care assistance in 2012.



**1.5M**  
CHILDREN RECEIVED  
CCDF-FUNDED  
CHILD CARE  
ASSISTANCE  
IN 2012

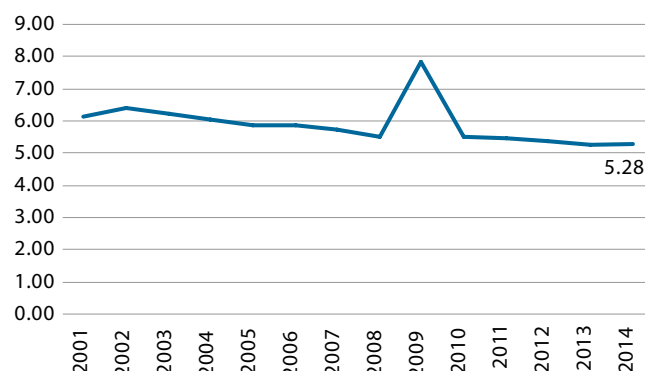
### a Number of low-income children receiving child care assistance has fallen, despite rising need

Number of children receiving CCDF-funded child care assistance and children under age 13 in families with incomes below 130 percent of poverty, in millions



### b Except for temporary funding increase in the Recovery Act, federal funding for child care assistance has steadily declined

Federal funding for the Child Care and Development Fund, FY 2001 to 2014, in billions of 2014 dollars



Source: Office of Child Care, "Child Care and Development Fund Statistics, FY2001-FY2012 CCDF Data Tables," January 28, 2014, available at <http://www.acf.hhs.gov/programs/occ/resource/ccdf-statistics>; CAP analysis of 2002–2014 Bureau of the Census' Current Population Survey Annual Social and Economic Supplements.

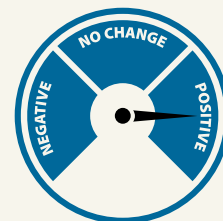


# Indicators

## 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 2013, 14.3 percent of households—17.5 million households—were food insecure. The change in food insecurity between 2012 and 2013 was not statistically significant. Food insecurity has declined significantly since 2011, but remains higher than it was before the start of the Great Recession.

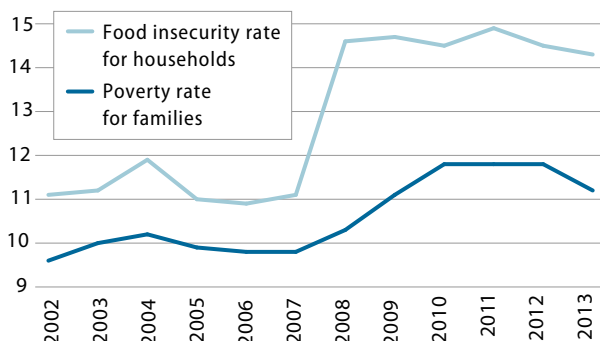
Although food insecurity increased during the first year of the recession, it has remained basically stable since then. This is likely due in large part to the effectiveness of the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps. Recent research found that in 2011 and 2012, SNAP contributed to reductions in food insecurity among families who obtained program benefits. Moreover, as Figure b shows, food insecurity is usually episodic, not chronic. For example, while about 6 percent of households experienced at least one episode of very low food security in 2013, about one-half experienced very low food security in the month before being surveyed. SNAP benefits play an important role in reducing the extent of ongoing food insecurity. For these reasons, policymakers should reject proposals that would damage SNAP's responsiveness to economic conditions by radically altering its structure or moving to further cut benefits.



**14.3%**  
OF HOUSEHOLDS  
WERE FOOD INSECURE  
IN 2013

### a Poverty and food insecurity stabilize

*Food-insecurity and poverty rates, 2002 to 2013*



Sources: Alisha Coleman Jensen, Christian Gregory, and Anita Singh, "Household Food Security in the United States in 2013" (Washington: Economic Research Service, 2014), Table 1A, available at <http://www.ers.usda.gov/media/1565415/err173.pdf>; Bureau of the Census, "Poverty: Historical Poverty Tables - Families, Table 13," available at <https://www.census.gov/hhes/www/poverty/data/historical/families.html> (last accessed September 2014).

### b Food insecurity is usually episodic, not chronic

*Prevalence of food insecurity and very low food insecurity in 2013, by reference period*

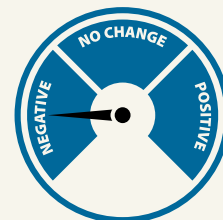
	Food insecurity	Very low food security
Anytime in 2013	14%	6%
Anytime within 30 days prior to survey	8%	3%
Daily average	N/A	0.7% to 1.1%

Source: U.S. Department of Agriculture, *Household Food Security in the United States in 2013* (2014).

## 19 UNEMPLOYMENT INSURANCE COVERAGE

The share of unemployed workers who received unemployment compensation benefits—including extended and emergency benefits—has continued to fall. Nearly 40 percent of unemployed workers received unemployment compensation in 2013, but only 27.2 percent of such workers received benefits in the second quarter of 2014. The sharp drop in overall unemployment coverage is largely due to the decisions Congress has made over the past two years to reduce eligibility for temporary benefits available through the federal Emergency Unemployment Compensation, or EUC, and then to let the temporary program expire completely at the end of 2013.

As of August 2014, there were still nearly 3 million workers who had been unemployed for more than six months. As Figure b shows, while the number of people who have been unemployed for six months or longer has come down considerably, it remains very high in historical terms. To help the long-term unemployed, Congress should extend emergency unemployment insurance immediately. It should also consider longer-term reforms to unemployment insurance to strengthen re-employment efforts, including stricter standards to ensure states pay a minimum of the full 26 weeks of benefits and maintaining the option for states to provide extended unemployment benefits for long-term unemployed workers in state-approved training programs.

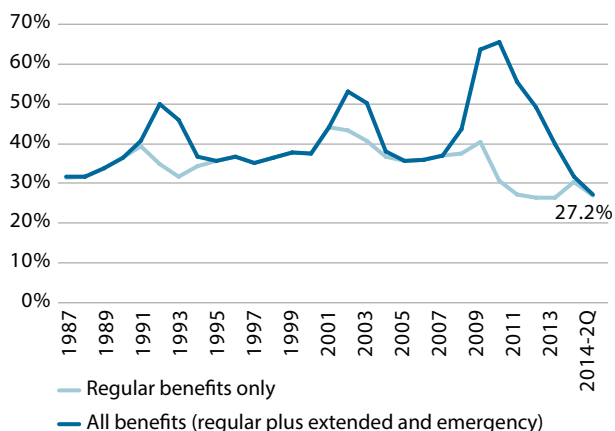


# 27.2%

OF UNEMPLOYED  
WORKERS WERE HELPED  
BY UNEMPLOYMENT  
INSURANCE IN THE  
SECOND QUARTER  
OF 2014

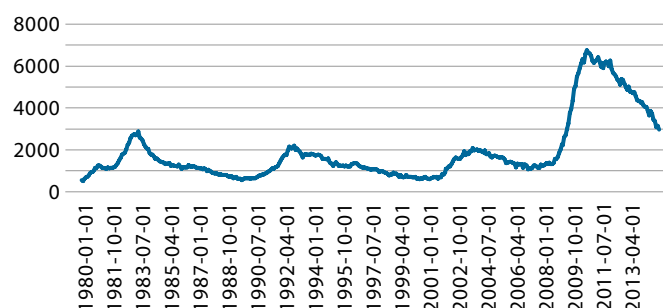
### a The share of unemployed workers receiving unemployment insurance continues to fall

Percent of unemployed workers receiving unemployment benefits, 1987 to Q2 2014



### b Number of Americans unemployed for six months or longer remains high

Number of people unemployed for 27 weeks or more, in thousands



Source: Author's calculations from U.S. Department of Labor, *Unemployment Insurance Data Summaries* (1998–2014 and unpublished data for prior years).

Source: Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor, 1980–2013).

# Indicators

## 20 AFFORDABLE AND AVAILABLE HOUSING

There were only 58 affordable and available units per 100 renter households with very low incomes—below half of area median income—in 2012, the most recent year for which data are available, compared to 57 units in 2011. As figure a shows, just over one third of very low-income households faced a “severe cost burden” in 2012, meaning that they spend more than half of their income on housing and utilities. Due in part to the housing bubble and the boom in foreclosures during the Great Recession, homeownership among low-income families has declined over the last decade.

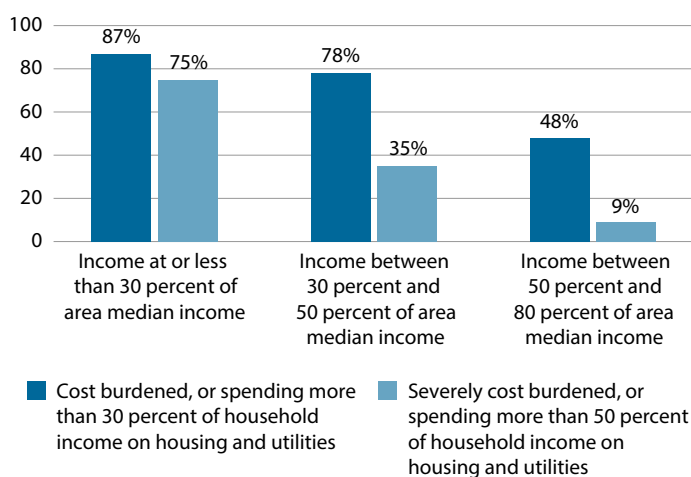


# 58

**AFFORDABLE AND  
AVAILABLE APARTMENTS  
(OR OTHER UNITS)  
FOR EVERY 100 RENTER  
HOUSEHOLDS WITH  
VERY-LOW INCOMES  
IN 2011**

### a Most low-income households spend one-third or more of income on housing

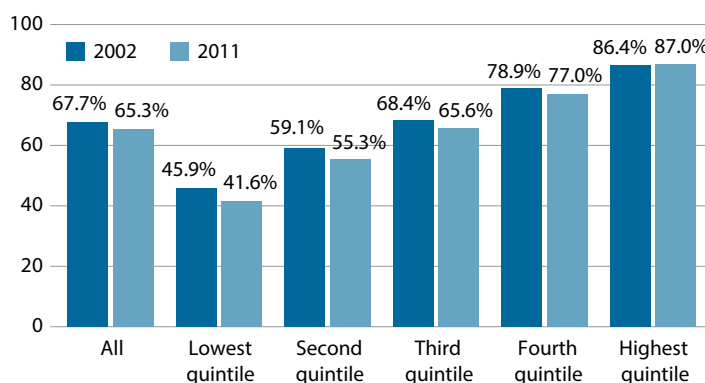
Share of low-income households that pay more than one-third or one-half of income for rent and utilities, 2012, by income as percent of area median



Source: National Low Income Housing Coalition, “The Affordable Rental Housing Gap Persists” (2014), available at [http://nlihc.org/sites/default/files/HS\\_4-1.pdf](http://nlihc.org/sites/default/files/HS_4-1.pdf).

### b Low-income households less likely to own homes than a decade ago

Share of households owning home by income quintile, 2002 and 2011

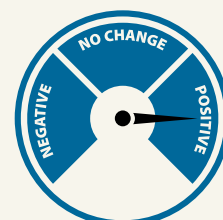


Source: Bureau of the Census, *Detailed Tables on Wealth and Asset Ownership* (U.S. Department of Commerce, 2002), available at <https://www.census.gov/people/wealth/data/dtables.html>; Bureau of the Census, *2011 Survey of Income and Program Participation* (U.S. Department of Commerce, 2011).

## 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 in 2011, the most recent year for which data are available. As figure a shows, the asset poverty rate rose during the recession. After peaking at 27.1 percent in 2009, it has declined slightly to 25.4 percent in 2011. Although the asset poverty rate is high, this indicator may understand the extent of the decline in household assets over the last decade. Figure b tracks the change in median household net worth—a household's assets minus its liabilities—by income between 2001 and 2013. Families with incomes in the bottom forty percent of the income distribution saw particularly large declines in net wealth between 2001 and 2013. For example, among families with incomes in the second fifth, median net wealth fell by 54 percent, from \$49,100 to \$22,400.

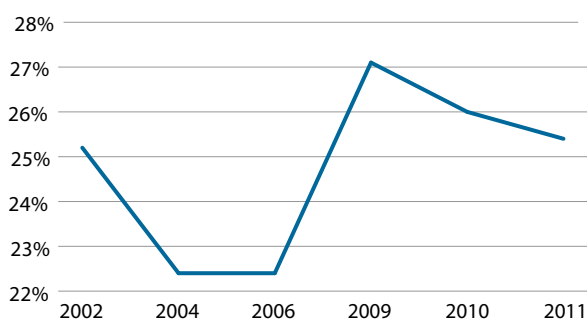
Policies that would reduce asset poverty and help reverse the negative trends in net worth include strengthening consumer protections against predatory lending; eliminating or moderating rules that force families to reduce even modest asset holding in order to receive means-tested benefits; and keeping 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.



**25.4%**  
OF HOUSEHOLDS  
WERE "ASSET POOR"  
IN 2010

### a Asset poverty down slightly since end of recession, but no long-term improvement

Asset poverty rate, 2002, 2004, 2006, 2009, 2010, and 2011

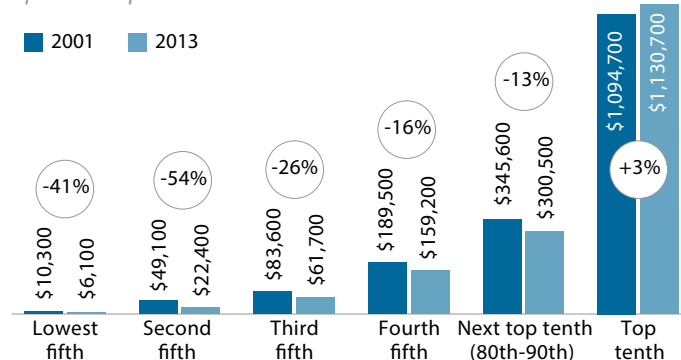


Note: Data are not available for 2003, 2007, and 2008.

Source: Corporation for Enterprise Development, "Change in Asset Poverty, 2002–2011," available at <http://scorecard.assetsandopportunity.org/2014/measure/change-in-asset-poverty> (last accessed August 2014).

### b Low- and middle-income families have lost ground

Percentage change in median net wealth between 2001 and 2013, by income quintile



Source: Alisha Coleman Jensen, Christian Gregory, and Anita Singh, "Household Food Security in the United States in 2013" (Washington: Economic Research Service, 2014), p. 11, available at <http://www.ers.usda.gov/media/1565415/err173.pdf>.

# Conclusion: A call to action

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





*This year, we commemorated the 50th anniversary of President Lyndon B. Johnson's 1964 State of the Union address, in which he unveiled a new endeavor to fight poverty in the United States.*

*"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," President Johnson said. "Our task is to help replace their despair with opportunity. This administration today, here and now, declares unconditional war on poverty in America. I urge this Congress and all Americans to join with me in that effort."<sup>1</sup>*



Harry Reid (D-NV) and other Democrats urge approval for raising the minimum wage during a news conference on Capitol Hill, April 2, 2014.

ASSOCIATED PRESS/J. SCOTT APPLEWHITE



*The War on Poverty, and more broadly, President Johnson's Great Society—an unprecedented and bold commitment to eliminate poverty and racial and social injustice—has changed the lives of millions of Americans for the better. Yet today, as when the War on Poverty began, African Americans, Latinos, women, and people with disabilities lag behind in almost every indicator of economic well-being, including poverty rates, employment, education, and health.*

People across the country are refusing to accept this as the status quo. In growing numbers, fast-food workers are going on strike for living wages. In the states that have refused to expand Medicaid, advocates are mobilizing and pressing their representatives to accept this critical federal investment in health care coverage. In other states, low-income workers are demanding better workplace policies and supports such as paid sick days and paid family leave. Now, we need to build on the momentum these movements are generating and mobilize the public to enact policy change at the national level to cut poverty and improve lives.

A poll commissioned by Half in Ten oversampled African Americans and Latinos to see if the reality of who is falling behind in today's economy shapes attitudes and opinions on how to solve this national problem. The answer to that question is yes.

These communities are much more likely to support national solutions to cut poverty in half, with 87 percent of African Americans and 79 percent of Latinos saying that they are in favor of solutions to reduce poverty.

Even more recently, we were reminded of this unfinished business as America celebrated the 50th anniversary of the Civil Rights Act of 1964. While this law has had a profound impact in a number of key areas, women and communities of color still face too many roadblocks to economic prosperity.

The cost of living has gone up while wages have stagnated; education is a key factor for economic mobility, yet stubborn disparities put quality education out of reach for millions of people; and as the economy squeezes Americans, conservatives are proposing to cut the very nutrition, health, education, and housing supports that are helping the millions of Americans for whom the economy is not working.

Anti-poverty programs such as Medicare, Medicaid, Head Start, Pell Grants, expansions to Social Security, and the Supplemental Nutrition Assistance Program have created opportunity for millions of families to break this cycle and are needed now more than ever.

But simply saving these programs is not enough, and Americans know that. Americans



People gather at Bicentennial Mall during the first 'Moral Monday' protest of the new year in Raleigh, NC, May 19, 2014.

ASSOCIATED PRESS/GERRY BROOME

agree that we need to strengthen the programs we have and at the same time build an economy that works for everyone by investing in job creation, education, and infrastructure and by enacting policies that provide greater opportunity and a hand up to struggling families.

According to a report<sup>2</sup> released earlier this year by the Center for American Progress that looked toward the next 50 years of civil rights and economic justice, there are a number of things we can do to set us on a path to real, shared prosperity. These include investing in

workforce development to prepare people for higher-skill, higher-wage jobs, increasing federal investment in job-creation programs that prioritize generating job opportunities for youth and low-income and long-term unemployed adults, and expanding access to benefits such as paid family leave and paid sick days.

In 2013, African American households had a median income of \$34,600, a figure that is more than 40 percent less than white, non-Hispanic households.<sup>3</sup> And while Hispanics did see a slight income gain, their median household

income is still 39 percent lower than whites, and they have a poverty rate of 23.5 percent.<sup>4</sup> We cannot let these disparities persist any longer.

Even more troubling are the gaps we see in wealth. While the racial income gap has remained mostly stagnant, the wealth gap has exploded dramatically.<sup>5</sup> Families in the top quintile of the wealth distribution—as measured by total assets, which include cash savings, retirement accounts, and homes, minus debts—saw their net wealth increase by close to 120 percent between 1983 and 2010.<sup>6</sup> Those families in the middle quintile saw gains of only 13 percent. Instead of gains, the bottom 20 percent fell below zero because their debts were greater than their assets.<sup>7</sup> This is especially disturbing when we examine the racial disparities that underlie the numbers. Before the Great Recession, non-Hispanic white families had about four times the wealth of nonwhite families; this jumped to six times by 2010.<sup>8</sup> As a result of the Great Recession, Hispanic families lost 44 percent of their wealth, and black families lost 31 percent, while white families lost just 11 percent.<sup>9</sup>

Income disparities for women are not budging much, either. In 2013, women working full time, year round, made 78 cents for every dollar men made—up from 77 cents but still a statistically insignificant increase.<sup>10</sup> Moreover, for women of color, it is even bleaker. For every dollar made by a white man, African American women earned 64 cents, while Latinas earned just 54 cents.<sup>11</sup> These numbers should irritate us all and should serve as a call to action.

It is now up to policymakers to follow popular opinion and get to work.

President Barack Obama has taken some action to help. On Equal Pay Day in April, he signed an executive order<sup>12</sup> to encourage pay transparency to ensure that employees who discuss their pay do not face retaliation. He also took action in February, issuing an executive order to raise the minimum wage for federal contractors to \$10.10 per hour.<sup>13</sup>

These initiatives are significant, but they lack the power and scope of federal legislation such as the Paycheck Fairness Act and the Minimum Wage Fairness Act, which have both been blocked this year by a minority in the Senate; they were not even considered in the House. The equal pay bill would strengthen the Equal Pay Act of 1963, while the minimum-wage bill would bring the rest of the nation's workers up to that \$10.10 level by 2016 and raise the minimum wage for tipped workers, which has been frozen at \$2.13 for nearly a quarter-century. Both bills would significantly bolster our nation's economy and do a great deal to support women and families.

But we should not stop there. It's absolutely essential that Congress renew unemployment insurance, which would have boosted the economy by 200,000 jobs this year.<sup>14</sup> However, Congress' inaction left 1.3 million out-of-work Americans and their families without that necessary assistance. Next, we should strengthen the Earned Income Tax Credit for low-income workers without qualifying children and make



President Barack Obama speaks about his proposal to raise the national minimum wage, April 2, 2014, at the University of Michigan in Ann Arbor, MI.

ASSOCIATED PRESS/CAROLYN KASTER

permanent the important improvements made to the credit as part of the American Recovery and Reinvestment Act of 2009. We also must invest in high-quality, affordable child care and early education to ensure a fair shot at entering the middle class by passing legislation such as the Strong Start for America's Children Act. And we need to fix work schedules that are consistently unpredictable and ever shifting—which make things such as accessing child care or scheduling a doctor's appointment difficult—by establishing flexible job schedules. The

Schedules That Work Act, introduced in July, would go a long way toward remedying some of the scheduling issues that present another very serious barrier to employment.

Moreover, strong unions help create economic opportunity for everyone in our society. When labor unions were at their strongest in the United States, we had a strong and growing middle class. But as union membership has declined, the middle class has faltered. We need to reform federal labor laws to ensure that all workers have

the right to join a union if they so desire and to strengthen workers' rights on the job, regardless of their union-membership status.

Another action that would make a strong impact would be for the 23 states that have so far refused to expand Medicaid coverage under the Affordable Care Act to do so soon. According to one study, these 23 states have more than 15 million uninsured or underinsured people who are living below the federal poverty line.<sup>15</sup> We can do better than that. Furthermore, we can also do better at reforming our criminal justice system to make sure that people who have served time are not relegated to a life of poverty upon re-entry. We need to pass smart policies to support re-entry for the one in three Americans with some type of criminal record and give them a shot at economic security and mobility.

Immigration reform is also critical to economic security and opportunity. The Border Security, Economic Opportunity, and Immigration Modernization Act, or S. 744, passed the Senate with a bipartisan supermajority in June 2013.<sup>16</sup> Our broken immigration system has led to the existence of about 11.7 million people living here without status.<sup>17</sup> The average undocumented immigrant has lived in the United States for more than 12 years, meaning they are deeply integrated into the fabric of our society.<sup>18</sup> But the 8 million undocumented workers—more than 5 percent of the nation's workforce—are simultaneously pushed to the margins of our economy.<sup>19</sup> Their lack of status prevents them from defending themselves

against employer exploitation such as wage theft and unsafe working conditions and blocks their ability to change jobs and invest in their own human capital. And employers use this vulnerability to deleverage American workers in similar jobs and industries who have to compete with this exploited workforce. It creates a micro labor market where there is no real floor on wages, depressing wages for all workers and perpetuating a race to the bottom. Reform legislation such as S. 744 that enables these workers to earn legal status and eventually citizenship will level the playing field for all workers and employers. Economists estimate that enacting the bill would lead to a 3.3 percent increase in economic growth by 2023 and spur job creation that would benefit all American workers.<sup>20</sup>

We cannot let the trend of economic inequity continue. Fifty years after President Johnson declared the War on Poverty and signed the Civil Rights Act into law, shared prosperity remains central to America's unfinished business, and our economic recovery depends on enacting smart policies to get us there. We have come a long way, but we must recommit ourselves now to forging a path toward what President Johnson wanted: "a world of peace and justice, and freedom and abundance, for our time and for all time to come."<sup>21</sup> Now, it's up to us.

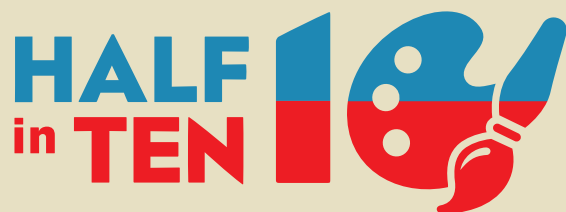


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## art competition

As part of Half in Ten's mission to build the political and public will to cut poverty in half in 10 years, the campaign launched its first national art competition, with the theme "Our American Dream—What will it take to get there?"

Our goal was to engage children and young people from around the country, ages 4 through 18, in a national conversation, through art,

with their families, teachers, and community members about poverty and what we need to do as a nation to tackle it. The submissions did not disappoint: Young children and young adults across the country used pencils, crayons, paint, and photography to thoughtfully address what poverty meant to them and what the nation needs to do in order to put the American Dream within reach for everyone.



◀ **Noah from Oakridge, Oregon, 5-years-old:**

"A boy threw a rock at our house because he was sad and bored. We need to be friends with others and provide fun places for kids to play for free."

▶ **Lucy from Greenville, South Carolina,**

**6-years-old:** "This is a girl climbing up a tree, getting an apple. She's poor, and she needs food. Gardens and orchards can help the poor. They can learn how to grow things and not be hungry."

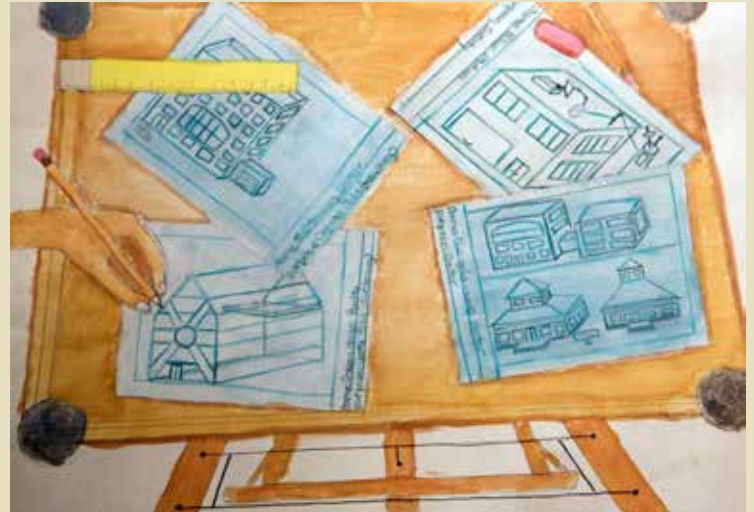




◀ **Manasvini from Simpsonville, South Carolina, 12-years-old:**

"My photo has a heart made of hands in which you can see water, bread, fruit, and flowers. We can end poverty with love, thus the heart. And the sky is the limit, thus the sky."

➤ **Jimmy from Lexington, Kentucky, 10-years-old:** "In my painting, I made four things that will help end poverty. The four things were "Cheap housing," "Safety," "Training facilities," and "Greenhouse." How they will help end poverty: The housing will provide homes, the training facilities will create jobs, the greenhouse will provide food, and the police station will provide safety. To build them will provide jobs and will also create jobs to run the buildings. It has to do with my dream to become an architect [be] cause an architect can design the buildings."



◀ **Ebony from Phoenix, Arizona, 17-years-old:** "I live in an identified community where 1 in 3 persons live in poverty. Next year will be my third year as an active member of a Promise Neighborhood Youth Advisory Council supporting community service activities that benefit many. This canvas represents how poverty can be eliminated if we work together in our communities to provide services for the less fortunate. Poverty is not always a choice, and it should never have to be a choice."

## About the authors

**Melissa Boteach** is the Vice President of Half in Ten and the Poverty and Prosperity Program at American Progress. In this capacity, she oversees American Progress' poverty policy development and analysis, as well as the Half in Ten campaign to cut poverty in half in 10 years. Boteach served as the policy lead on The Shriver Report: A Woman's Nation Pushes Back from the Brink, and under her tenure, Half in Ten launched its annual report tracking progress to cut poverty in half in 10 years, the TalkPoverty.org blog and website, and the Our American Story project—a network of people working to expand economic opportunity through the power of their personal stories.

**Shawn Fremstad** is a Senior Fellow at American Progress, as well as a senior research associate at the Center for Economic and Policy Research. He previously worked at the Center on Budget and Policy Priorities in Washington, D.C., and as an attorney and policy specialist for civil legal services programs in Minnesota.

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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 is 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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Half in Ten looks forward to our ongoing work together to cut poverty in half over the next 10 years.

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The Half in Ten campaign is a project of the Center for American Progress Action Fund, dedicated to building the political and public will to cut the U.S. poverty rate in half in 10 years. The campaign combines evidence-based policy recommendations with strategic building of networks, spokespeople, and opinion leaders in communities to amplify the call to reduce poverty in America.

The campaign was launched in 2008 and builds on six years of collaboration among the Center for American Progress Action Fund, The Leadership Conference on Civil and Human Rights, and the Coalition on Human Needs. The annual report is a collaboration between the three organizations to track and hold policymakers accountable to cutting poverty in half.

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