



From Poverty to Prosperity

A National Strategy to Cut Poverty in Half

Report and Recommendations of the
Center for American Progress Task Force on Poverty

April 2007

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FROM POVERTY TO PROSPERITY *A National Strategy to Cut Poverty in Half*

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*A National Strategy to
Cut Poverty in Half*

From Poverty *to* Prosperity

EXECUTIVE SUMMARY

Thirty-seven million Americans live below the official poverty line. Millions more struggle each month to pay for basic necessities, or run out of savings when they lose their jobs or face health emergencies. Poverty imposes enormous costs on society. The lost potential of children raised in poor households, the lower productivity and earnings of poor adults, the poor health, increased crime, and broken neighborhoods all hurt our nation. Persistent childhood poverty is estimated to cost our nation \$500 billion each year, or about 4 percent of the nation's Gross Domestic Product. In a world of increasing global competition, we cannot afford to squander these human resources.

The Center for American Progress last year convened a diverse group of national experts and leaders to examine the causes and consequences of poverty in America and make recommendations for national action. In this report, our Task Force on Poverty calls for a national goal of cutting poverty in half in the next 10 years and proposes a strategy to reach the goal.

Our nation has seen periods of dramatic poverty reduction at times when near-full employment was combined with sound federal and state policies, motivated individual initiative, supportive civic involvement, and sustained national commitment. In the last six years, however, our nation has moved in the opposite direction. The number of poor Americans has grown by five million, while inequality has reached historic high levels.

Consider the following facts:

- **One in eight Americans now lives in poverty.** A family of four is considered poor if the family's income is below \$19,971—a bar far below what most people believe a family needs to get by. Still, using this measure, 12.6 percent of all Americans were poor in 2005, and more than 90 million people (31 percent of all Americans) had incomes below 200 percent of federal poverty thresholds.
- **Millions of Americans will spend at least one year in poverty at some point in their lives.** One third of all Americans will experience poverty within a 13-year period. In that period, one in 10 Americans are poor for most of the time, and one in 20 are poor for 10 or more years.
- **Poverty in the United States is far higher than in many other developed nations.** At the turn of the 21st century, the United States ranked 24th among 25 countries when measuring the share of the population below 50 percent of median income.
- **Inequality has reached record highs.** The richest one percent of Americans in 2005 had the largest share of the nation's income (19 percent) since 1929. At the same time, the poorest 20 percent of Americans had only 3.4 percent of the nation's income.

It does not have to be this way. Our nation need not tolerate persistent poverty alongside great wealth.

The United States should set a national goal of cutting poverty in half over the next 10 years. A strategy to cut poverty in half should be guided by four principles:

- **Promote Decent Work.** People should work and work should pay enough to ensure that workers and their families can avoid poverty, meet basic needs, and save for the future.
- **Provide Opportunity for All.** Children should grow up in conditions that maximize their opportunities for success; adults should have opportunities throughout their lives to connect to work, get more education, live in a good neighborhood, and move up in the workforce.
- **Ensure Economic Security.** Americans should not fall into poverty when they cannot work or work is unavailable, unstable, or pays so little that they cannot make ends meet.
- **Help People Build Wealth.** All Americans should have the opportunity to build assets that allow them to weather periods of flux and volatility, and to have the resources that may be essential to advancement and upward mobility.

We recommend 12 key steps to cut poverty in half:

1. **Raise and index the minimum wage to half the average hourly wage.** At \$5.15, the federal minimum wage is at its lowest level in real terms since 1956. The federal minimum wage was once 50 percent of the average wage but is now 30 percent of that wage. Congress should restore the minimum wage to 50 percent of the average wage, about \$8.40 an hour in 2006. Doing so would help over 4.5 million poor workers and nearly nine million other low-income workers.
2. **Expand the Earned Income Tax Credit and Child Tax Credit.** As an earnings supplement for low-income

come working families, the EITC raises incomes and helps families build assets. EITC expansions during the 1990s helped increase employment and reduced poverty. But the current EITC does little to help workers without children. We recommend tripling the EITC for childless workers, and expanding help to larger working families. Doing so would cut the number of people in poverty by over two million. The Child Tax Credit provides a tax credit of up to \$1,000 per child, but provides no help to the poorest families. We recommend making it available to all low- and moderate-income families. Doing so would move two million children and one million parents out of poverty.

3. Promote unionization by enacting the Employee Free Choice Act.

The Employee Free Choice Act would require employers to recognize a union after a majority of workers signs cards authorizing union representation and establish stronger penalties for violation of employee rights. The increased union representation made possible by the Act would lead to better jobs and less poverty for American workers.

4. Guarantee child care assistance to low-income families and promote early education for all.

We propose that the federal and state governments guarantee child care help to families with incomes below about \$40,000 a year, and also expand the child care tax credit. At the same time, states should be encouraged to improve the quality of early education and broaden access for all children. Our child care expansion would raise employment among low-income parents and help nearly three million parents and children escape poverty.

5. Create two million new “opportunity” housing vouchers, and promote equitable development in and around central cities.

Nearly 8 million Americans live in neighborhoods of concentrated poverty where at least 40 percent of residents are poor. Our nation should seek to end concentrated poverty and economic segregation, and promote regional equity and inner-city revitalization. We propose that over the next 10 years the federal government fund two million new “opportunity vouchers” designed to help people live in opportunity-rich areas. New affordable housing should be in communities with employment opportunities and high-quality public services, or in gentrifying communities. These housing policies should be part of a broader effort to pursue equitable development strategies in regional and local planning efforts, including efforts to improve schools, create affordable housing, assure physical security, and enhance neighborhood amenities.

6. Connect disadvantaged and disconnected youth with school and work.

About 1.7 million poor youth ages 16 to 24 were out of school and out of work in 2005. We recommend that the federal government restore Youth Opportunity Grants to help the most disadvantaged communities and expand funding for effective and promising youth programs—with the goal of reaching 600,000 poor disadvantaged youth through these efforts. We propose a new Upward Pathway program to offer low-income youth opportunities to participate in service and training in fields that are in high-demand and provide needed public services.

- 7. Simplify and expand Pell Grants and make higher education accessible to residents of each state.** Low-income youth are much less likely to attend college than their higher income peers, even among those of comparable abilities. Pell Grants play a crucial role for lower-income students. We propose to simplify the Pell grant application process, gradually raise Pell Grants to reach 70 percent of the average costs of attending a four-year public institution, and encourage institutions to do more to raise student completion rates. As the federal government does its part, states should develop strategies to make post-secondary education affordable for all residents, following promising models already underway in a number of states.
- 8. Help former prisoners find stable employment and reintegrate into their communities.** The United States has the highest incarceration rate in the world. We urge all states to develop comprehensive reentry services aimed at reintegrating former prisoners into their communities with full-time, consistent employment.
- 9. Ensure equity for low-wage workers in the Unemployment Insurance system.** Only about 35 percent of the unemployed, and a smaller share of unemployed low-wage workers, receive unemployment insurance benefits. We recommend that states (with federal help) reform “monetary eligibility” rules that screen out low-wage workers, broaden eligibility for part-time workers and workers who have lost employment as a result of compelling family circumstances, and allow unemployed workers to use periods of unemployment as a time to upgrade their skills and qualifications.
- 10. Modernize means-tested benefits programs to develop a coordinated system that helps workers and families.** A well-functioning safety net should help people get into or return to work and ensure a decent level of living for those who cannot work or are temporarily between jobs. Our current system fails to do so. We recommend that governments at all levels simplify and improve benefits access for working families and improve services to individuals with disabilities. The Food Stamp Program should be strengthened to improve benefits, eligibility, and access. And the Temporary Assistance for Needy Families Program should be reformed to shift its focus from cutting caseloads to helping needy families find sustainable employment.
- 11. Reduce the high costs of being poor and increase access to financial services.** Despite having less income, lower-income families often pay more than middle and high-income families for the same consumer products. We recommend that the federal and state governments should address the foreclosure crisis through expanded mortgage assistance programs and by new federal legislation to curb unscrupulous practices. And we propose that the federal government establish a \$50 million Financial Fairness Innovation Fund to support state efforts to broaden access to mainstream goods and financial services in predominantly low-income communities.
- 12. Expand and simplify the Saver’s Credit to encourage saving for education, homeownership and retirement.** For many families, saving for purposes such as education, a home, or a small business is key to making economic progress. We pro-

pose that the federal “Saver’s Credit” be reformed to make it fully refundable. This Credit should also be broadened to apply to other appropriate savings vehicles intended to foster asset accumulation, with consideration given to including individual development accounts, children’s saving accounts, and college savings plans.

We believe our recommendations will cut poverty in half. The Urban Institute, which modeled the implementation of one set of our recommendations, estimates that four of our steps would reduce poverty by 26 percent, bringing us more than halfway toward our goal. Among their findings:

- **Taken together, our minimum wage, EITC, child credit, and child care recommendations would reduce poverty by 26 percent.** This would mean over nine million fewer people in poverty and a national poverty rate of 9.1 percent—the lowest in recorded U.S. history.
- **The racial poverty gap would be narrowed.** White poverty would fall from 8.7 percent to 7 percent. Poverty among African Americans would fall from 21.4 percent to 15.6 percent. Hispanic poverty would fall from 21.4 percent to 12.9 percent and poverty for all others would fall from 12.7 percent to 10.3 percent.
- **Child poverty and extreme poverty would both fall.** Child poverty would drop by 41 percent. The number of people in extreme poverty would fall by over two million.
- **Millions of low- and moderate-income families would benefit.** Almost half of the benefits would help low- and moderate-income families.

That these recommendations would reduce poverty by more than one quarter is powerful evidence that a 50 percent reduction can be reached within a decade.

The combined cost of our principal recommendations is in the range of \$90 billion a year—a significant cost but one that is necessary and could be readily funded through a fairer tax system. An additional \$90 billion in annual spending would represent about 0.8 percent of the nation’s Gross Domestic Product, which is a fraction of the money spent on tax changes that benefited primarily the wealthy in recent years. Consider that:

- The current annual costs of the tax cuts enacted by Congress in 2001 and 2003 are in the range of \$400 billion a year.
- In 2008 alone the value of the tax cuts to households with incomes exceeding \$200,000 a year is projected to be \$100 billion.

Our recommendations could be fully paid for simply by bringing better balance to the federal tax system and recouping part of what has been lost by the excessive tax cuts of recent years. We recognize that serious action has serious costs, but the challenge before the nation is not whether we can afford to act, but rather that we must decide to act.

THE NEXT STEPS

In 2009, we will have a new president and a new Congress. Across the nation, there is a yearning for a shared national commitment to build a better, fairer, more prosperous country, with opportunity for all. In communities across the nation, policymakers, business people, people of faith, and concerned citizens are coming together. Our commitment to the common good compels us to move forward.

INTRODUCTION

In February of 2006, the Center for American Progress convened a diverse group of national experts and leaders to examine the causes and consequences of poverty in America and make recommendations for national action. In this report, our Task Force on Poverty calls for a national goal of cutting poverty in half in the next ten years and proposes a strategy to reach the goal.

The Task Force was established in the wake of Hurricane Katrina. When Katrina struck, it revealed that in one of the nation's proudest cities, racial and economic disparities were enormous. Tens of thousands of families were living in severe poverty, jobless and unable to afford transportation out of town or a night in a motel as disaster approached. Many more families and workers were living paycheck to paycheck, able to get by as long as work was steady, but at great risk when the unexpected happened.

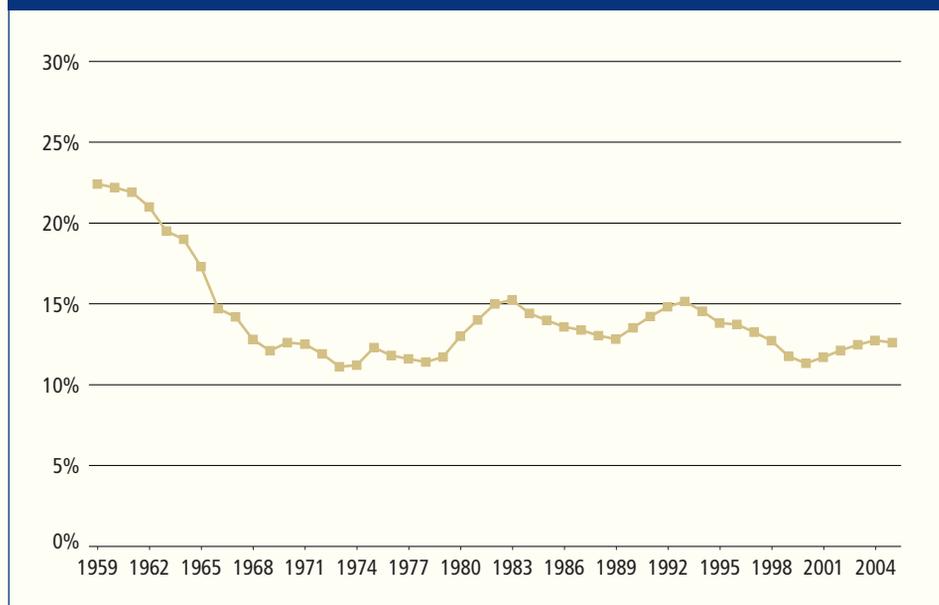
The experience of Hurricane Katrina helped spur the creation of this Task Force. Yet this is not a report about why New Orleans' levees broke or about what happened after they did. Our focus is on how we can build a stronger economy, more vibrant communities, and a better nation, in which there are no neighborhoods of extreme poverty, in which steady work is both protection from and a route out of poverty, and in which children and adults can reach their full potential.

Thirty-seven million Americans live below the official poverty line. Millions more struggle each month to pay for basic necessities or run out of savings when they lose their job or have a health emergency.

Poverty imposes enormous costs on society in the lost potential of children, lower worker productivity and earnings, poor health, increased crime, and broken neighborhoods. In a world of increasing global competition, we cannot afford to squander our nation's human resources.

FIGURE 1: POVERTY FELL BY MORE THAN HALF FROM 1959–1973, AND IS NOW ABOVE 1973 LEVEL

Share of Americans in Poverty, 1959–2005



Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

Too often, discussions of poverty are treated as if they're unrelated to the issues facing the middle class. But large numbers of Americans—both low-income and middle class—are increasingly concerned about uncertain job futures, downward pressures on wages, and decreasing opportunities for advancement in a globalized economy. Large numbers of Americans would benefit if high quality early education were more accessible and higher education were more affordable. Large numbers would benefit if more jobs paid enough to support a family. Some issues are distinct, particularly for the smaller group of Americans in long-term, persistent poverty. But much of the agenda to reduce poverty is also one to promote opportunity and security for millions of other Americans, too.

Discussions about poverty often devolve into arguments about who is to blame. Is poverty

mainly the fault of the poor or of a society that tolerates poverty and does not provide opportunities for economic mobility? In our view, neither is an adequate answer.

We should expect adults to work and young people to stay in school and not have children before they are able to care for them. We also should expect that jobs be available to those who want to work, that full-time work provide a decent standard of living, that all children grow up in conditions which let them reach their full potential, and that a nation of opportunity should also be a nation of second chances.

Given the persistence of poverty in recent decades, many Americans may consider it an inescapable reality of modern life. Fueled by years of inaccurate characterizations of past efforts (“We fought a war on poverty and poverty won,” as Ronald

Poverty: The Facts

One in eight Americans lives in poverty. In 2005, a family of four was considered poor under the official measures if the family's income was below \$19,971. Using this measure, there were 37 million Americans living in poverty, 12.6 percent of the U.S. population.¹

Nearly one in three Americans is low-income, with an income below twice the poverty line. In 2005, over 90 million people—31 percent of all Americans—had incomes below 200 percent of the federal poverty thresholds, a standard often used as a measure of low income. For a family of four that means an annual income of about \$40,000.²

One in twenty Americans lives in extreme poverty, with an income below half of the poverty line. In 2005, just under 16 million people—5.4 percent of all Americans—had incomes

below half the poverty line, or less than \$9,903 for a family of four or \$5,080 for an individual.³ The number of Americans living in such extreme poverty grew by over three million between 2000 and 2005, and the share of poor people living in extreme poverty is now greater than at any point in the last 32 years.⁴

Nearly one-fifth of children are poor. Today, nearly one-fifth of children (17.6 percent) and over one-fifth of children under five years old (20.4 percent) are poor.⁵ Children in single-parent families are poorest: 42.7 percent of those in female-headed, and 20.1 percent of those in male-headed families are poor, compared with 8.5 percent of those in married two-parent families.⁶

Minorities are much more likely to be poor than are whites. African Americans (24.9 percent

Reagan stated), many Americans are left to conclude that little can be done beyond providing private charity and urging the poor to do better.

Nothing could be farther from the truth.

The United States has seen periods of dramatic poverty reduction. Amid the strong economy of the 1960s and the War on Poverty, the poverty rate fell from 22.4 percent to 11.1 percent between 1959 and 1973. In the 1990s, a strong economy was combined with policies to promote and support work; the poverty rate dropped from 15.1 percent to 11.3 percent between 1993 and 2000. In each period, a near-full employment economy, sound federal and state policies, individual initiative, supportive civic institutions and communities, and a sustained national commitment led to significant progress.

In the last six years, our nation has moved in the opposite direction. The number of poor Americans has grown by five million. The federal minimum wage has remained flat. Funding for key federal programs that help people get and keep jobs has been stagnant or worse.

At the same time, the wealthiest Americans have received billions of dollars in tax cuts, while inequality has reached historically high levels. A new study by Thomas Piketty and Emmanuel Saez finds that in 2005 the top one percent of American households had the largest share of the nation's income since 1929—19.3 percent.¹ In contrast, the bottom 20 percent of households now have just 3.4 percent of total income, according to the Census Bureau.² Between 2003 and 2004, post-tax income of the bottom fifth rose by \$200, while income for the top one percent rose by \$145,500.³ The top one

poor in 2005), Hispanics (21.8 percent), and Native Americans (25.3 percent) all have poverty rates far greater than those of whites (8.3 percent). Still, 45 percent of poor people are non-Hispanic whites.⁷ Among African Americans, one key contributing factor is joblessness. The official statistics mask the severity of the problem, because they do not count those who are incarcerated or are no longer looking for work. Columbia University Professor Ronald Mincy has calculated that in 2004, among the civilian population who had not been to college and were between the ages of 22 and 30, only 50 percent of young black men were employed, compared to 79 percent of young white and 81 percent of young Hispanic men. Among high school dropouts, Mincy finds that only 28 percent of young black men were employed.⁸

Immigrants are poorer than natives. Although most poor people in the United States (84 percent)

are native-born, foreign-born residents have a significantly higher poverty rate than that of natives (16.5 percent versus 12.1 percent).⁹ A major reason is that immigrants are disproportionately likely to be in low-wage jobs: immigrants account for 11 percent of the total U.S. population and 14 percent of the U.S. labor force, but they make up 20 percent of low-wage workers.¹⁰ Low proficiency in English and lack of education are other important factors, as is lack of citizenship status.¹¹

Women are more likely to be poor than men. With a 14.1 percent poverty rate, females are substantially more likely to be poor than are males (11.1 percent).¹² One major reason is that women are paid less than men. In 2004, the median hourly wages of women were about 20 percent less than those of men with comparable education and hours of work.¹³

continued on next page

percent of households now hold one-third of the nation's net worth, while the bottom 40 percent have less than one percent.⁴

It does not have to be this way. A nation with such enormous resources and capacities need not tolerate persistent poverty.

Why We Should Reduce Poverty

Poverty violates our fundamental principles as a democratic nation and as ethically conscious individuals. American democracy is built on a simple proposition, declared in our founding documents and developed over centuries of trial and error: All Americans should have the opportunity to turn their aspirations into a meaningful and materially satisfactory life. Our nation is grounded on the idea that together we can create a society of economic advancement for all aided by a government that protects

individual rights, ensures fair competition, and promotes a greater common good. The American system is not designed to guarantee that everybody will be the same, think the same, or receive the same economic rewards in life. It simply ensures that people start from a level playing field and have a reasonable shot at achieving success in life and making the most of their abilities.

Economic opportunity has served as the foundation for citizenship and civic engagement throughout our nation's history. As political icons from Thomas Jefferson to Martin Luther King, Jr. have long recognized, core concepts such as freedom and democracy are essentially meaningless for those who lack economic independence. Simply put, one cannot fully participate in society and help shape the decisions of our government and its priorities if confined to abject poverty.

Poverty: The Facts (continued)

Work among poor families grew dramatically during the 1990s. The share of poor children with a parent working full-time, year-round has grown by 60 percent since 1992. Among poor children, two-thirds (65 percent) have one or more working parents and one-third (32 percent) have a parent who works year-round, full-time.¹⁴ Among poor adults aged 25-to-54, nearly half (46 percent) work during the year.¹⁵

Poverty rates are highest in urban and rural areas, but in the largest metropolitan areas, more poor now live in the suburbs than in central cities. Seventeen percent of urban residents, and 14.5 percent of rural residents are poor, compared to 9.3 percent of suburban residents.¹⁶ In the largest 100 metropolitan areas, however, the number of poor living in suburbs exceeds the number living in cities (12 million, compared to 11 million).¹⁷

More poor people live in the South than in any other region. The South has both the largest number of individuals in poverty and the highest poverty rate. In 2005, 14.9 million poor individuals lived in the South. Fourteen percent of Southern residents were poor, compared to 12.6 percent for the West, 11.4 percent for the Midwest, and 11.3 percent for the Northeast.¹⁸

Millions of Americans will spend at least one year in poverty at some point in their lives. For most, the experience of poverty is temporary. For some, it is long-term. Task Force member and economist Rebecca Blank has found that over a 13-year period, one-third of all Americans—34 percent of people in a representative sample—experienced poverty. In that 13-year period, about one in ten Americans (9.6 percent)

Beyond our founding principles, the moral imperative to serve the poor is a powerful theme in the social teachings of many major faith traditions in our country. Across faiths, citizens are called upon to press both private and public actors to protect the most vulnerable and help those in need to build economically self-sufficient lives. Judeo-Christian traditions today speak of the ruptured “covenant with God” that leaves our fellow citizens suffering needlessly amid great national wealth.

Addressing poverty and economic security takes on greater urgency in the new economy. Employment for millions is now less secure than at any point in the post-World War II era. Jobs are increasingly unlikely to provide health care coverage and guaranteed pensions. The typical U.S. worker will change jobs numerous times over his or her working years and must adapt to

rapid technological change. One-quarter of all jobs in the U.S. economy do not pay enough to support a family of four above the poverty line. It is in our nation’s interest that those jobs be filled and that employment rates be high. It is not in our nation’s interest that people working in these jobs be confined to poverty.

In the global economy, the greatest potential for success turns on having an educated, healthy, adaptable workforce. It is in all of our interests that children grow up under conditions that prepare them for the economy of the future. Yet an estimated eight percent of all children and 28 percent of African-American children spend at least 11 years of childhood in poverty.⁵

In The Economic Costs of Poverty in the United States: The Subsequent Effects of Children Growing Up Poor, Harry Holzer, Diane Whitmore

were poor for most of the time, and one in twenty (4.9 percent) were poor for ten or more years. For African Americans, 30.2 percent were poor for most of the time and 16.7 percent were poor for ten or more years.¹⁹

Poverty in the U.S. is higher than in many other developed nations. In international poverty comparisons, a common approach is to ask what share of the population has income below 50 percent of the nation’s median income. Using this measure, the U.S. poverty rate at the turn of the 21st century ranked 24th of 25 countries, with only Mexico having a higher poverty rate.²⁰ A new UNICEF report on child well-being in rich nations

finds that when child poverty is measured in relation to 50 percent of median income, the United States ranks 24th among 24 nations. Another study compared the U.S. with eight other developed countries using the official U.S. poverty line. It found that the U.S. ranked eighth out of nine. Only the U.K. had a higher rate, though U.K. child poverty has fallen substantially since then. The high rates of poverty in the U.S. do not occur because the poor are less likely to be working here. Rather, government does less here to reduce poverty. In a twelve-nation study, the U.S. poverty rate was below average on the basis of market income alone. After taxes and transfers were counted, the U.S. had the highest poverty rate of all twelve nations.²¹

Schanzenbach, Greg Duncan, and Jens Ludwig conclude that allowing children to grow up in persistent poverty costs our economy \$500 billion dollars per year in lost adult productivity and wages, increased crime, and higher health expenditures.⁶

Holzer and his co-authors explain that children who grow up in poverty are more likely than non-poor children to have low earnings as adults, reflecting lower work-force productivity. They are also somewhat more likely to engage in crime (though that is not the case for the vast majority) and to have poor health later in life. Holzer and co-authors explain:

Our results suggest that the costs to the U.S. associated with childhood poverty total about \$500 billion per year, or the equivalent of nearly 4 percent of Gross Domestic Product. More specifically, we estimate that childhood poverty each year:

- *Reduces productivity and economic output by about 1.3 percent of GDP*
- *Raises the costs of crime by 1.3 percent of GDP*
- *Raises health expenditures and reduces the value of health by 1.2 percent of GDP*

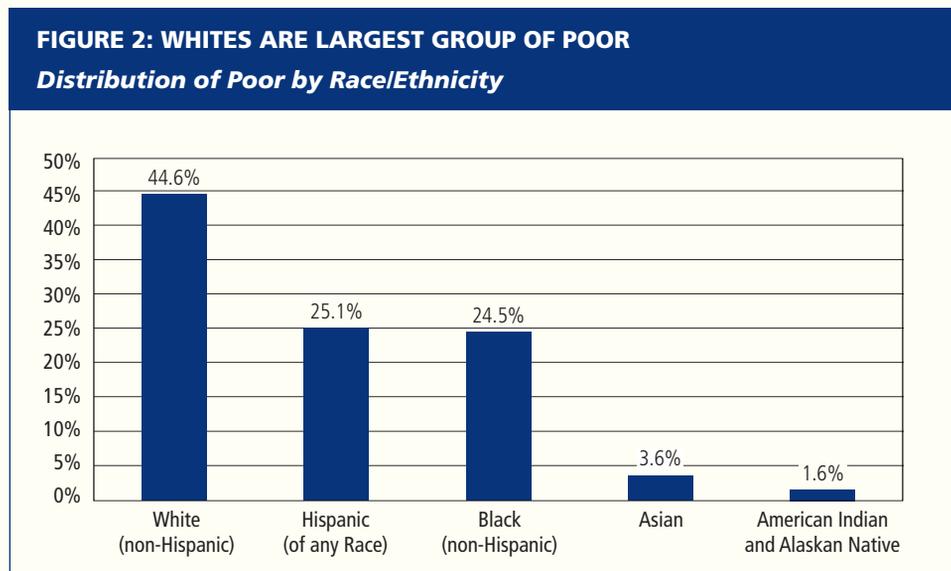
Holzer and his co-authors emphasize that these estimates almost certainly understate the true costs of poverty to the U.S. economy. They omit the costs associated with poor adults who did not grow up poor as children. They do not count all of the other costs that poverty might impose on the nation, such as environmental impacts and much of the suffering of the poor themselves.

Reducing poverty would allow more people to contribute to the economic and civic life of the nation, strengthening our economy and fortifying our democracy.

How We Can Reduce Poverty

Across the country, a movement is brewing.⁷ In the faith community Sojourners and Call to Renewal announced a Covenant for a New America,⁸ urging cutting child poverty in half in the next ten years. Catholic Charities USA created a Campaign to Reduce Poverty in America.⁹

In New York City, Mayor Michael Bloomberg's Economic Opportunity Commission¹⁰ was charged with proposing ways to promote opportunity and reduce poverty. The mayor's office is now beginning to implement key



Categories sum to more than 100 percent because respondents could choose more than one response.

Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement (Three year average from 2003–2005).

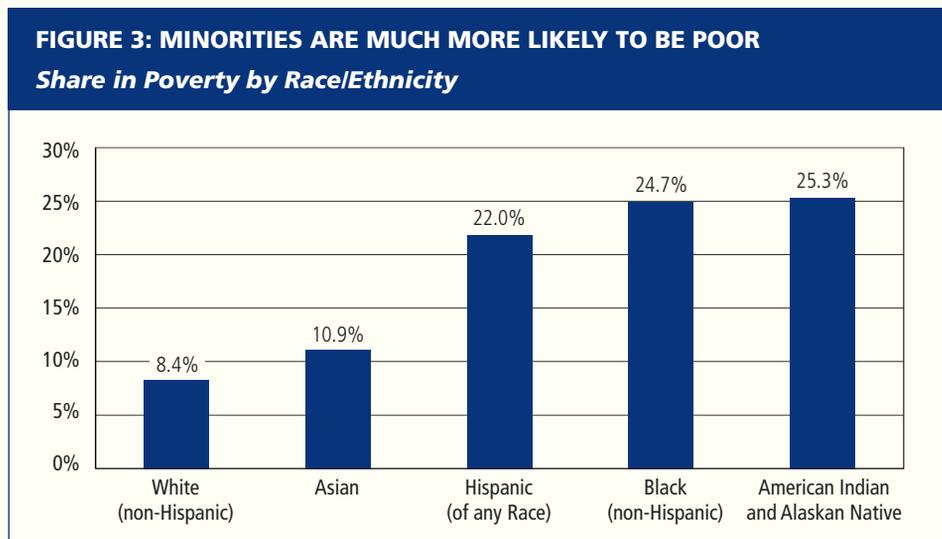
Commission recommendations. The Task Force on Poverty, Work, and Opportunity of the U.S. Conference of Mayors, led by Los Angeles Mayor Antonio Villaraigosa, has made a set of ambitious recommendations.¹¹

Governors, mayors, and legislatures in a number of cities and states, including Connecticut,¹² Minnesota,¹³ California,¹⁴ and Milwaukee,¹⁵ have initiated anti-poverty legislation, resolutions, and campaigns. These efforts are occurring against the backdrop of international efforts to make poverty history.

In this report, we propose that the federal government join this nationwide effort. We call upon Congress and the next administration to establish a national goal of cutting poverty in half over the next ten years and set our country on a course to end American poverty in a generation. We recommend a strategy that promotes decent work, provides opportunity for all, ensures economic security and helps people build wealth.

We offer 12 recommendations that we believe would cut poverty in half in the next ten years, and move us toward ending poverty in America. Our strategy would:

- Raise and index the minimum wage to half the average hourly wage
- Expand the Earned Income Tax Credit and Child Tax Credit
- Promote unionization by enacting the Employee Free Choice Act
- Guarantee child care assistance to low-income families and promote early education for all
- Create two million new “opportunity” housing vouchers and promote equitable development in and around central cities
- Connect disadvantaged and disconnected youth with school and work
- Simplify and expand Pell Grants and make higher education accessible for residents of each state
- Help former prisoners find stable employment and reintegrate into their communities
- Ensure equity for low-wage workers in the Unemployment Insurance system



Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement (Three year average from 2003–2005).

- Modernize means-tested benefits programs to develop a coordinated system that helps workers and families
- Reduce the high costs of being poor and increase access to financial services
- Expand and simplify the Saver's Credit to encourage saving for education, homeownership, and retirement.

Our recommendations would help millions escape poverty, and build a stronger and growing middle class. Our approach is guided by the idea of progressive universalism: when a problem is faced by many Americans, the response should help all who need it, with the most help for those who need it most. We should avoid creating arbitrary differences between the poor, the near-poor, and the middle class. And, we should avoid narrow means-tested approaches that can stigmatize people and penalize them for making progress.

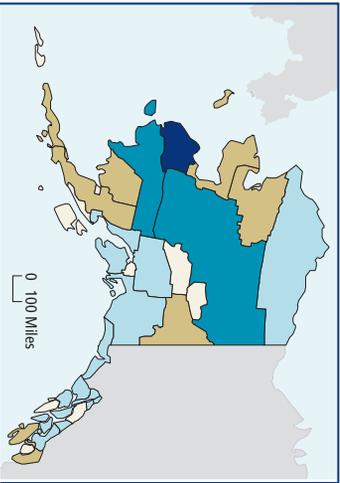
At the same time, the fact that a need is broadly shared should not lead us to believe that it is felt in the same way by all. Millions of families face difficult choices as they struggle to get by, but the challenges are most severe for lower-income families. Our approaches should reflect this reality.

The federal government has a crucial role to play in providing leadership, financing, addressing inter-state inequities, and in spurring and supporting state, local, and private actions. State and local energy and creativity are also key to developing innovative and

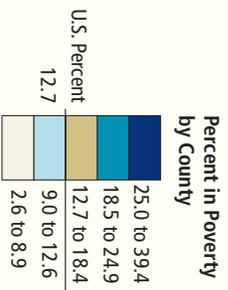
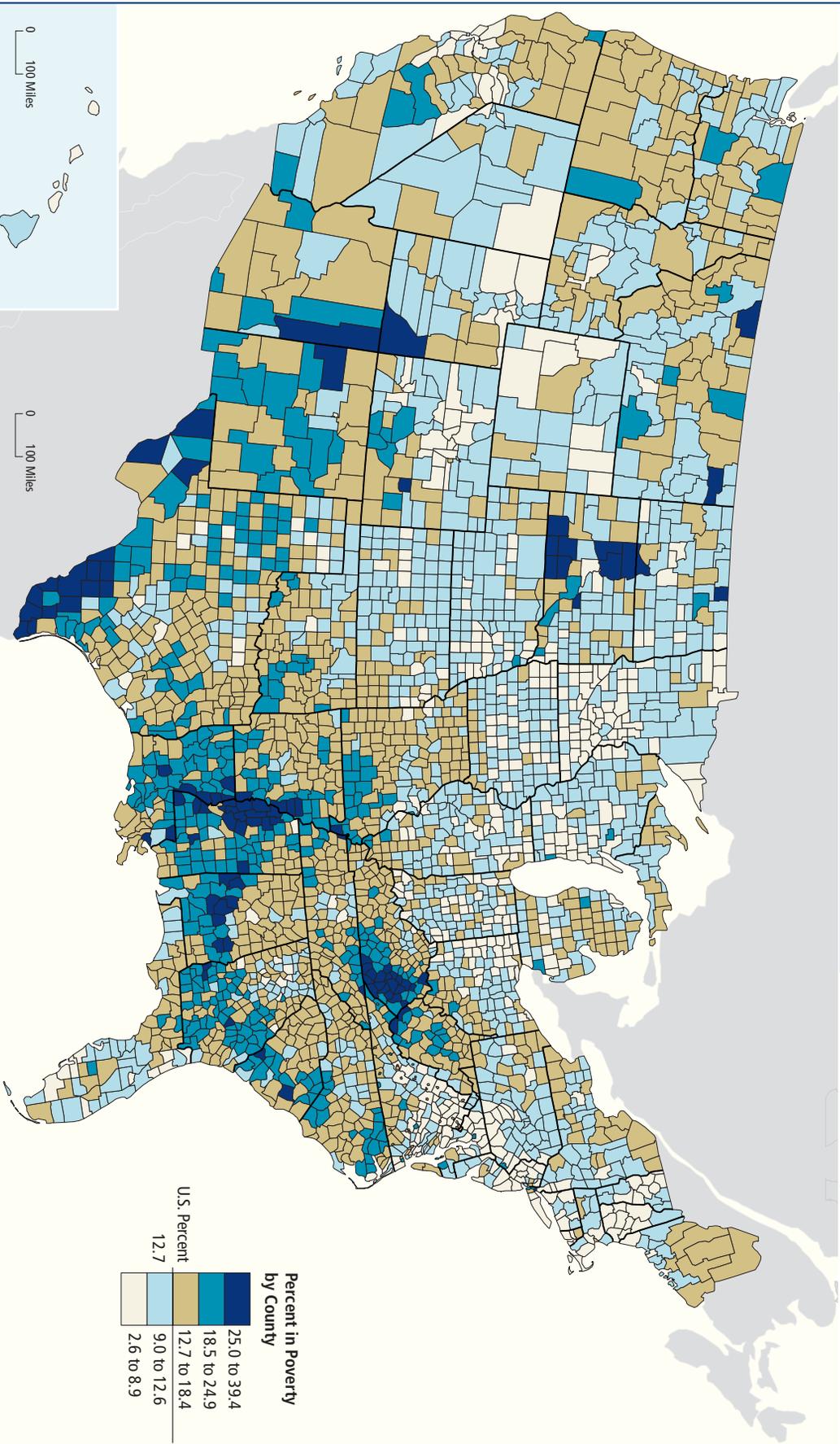
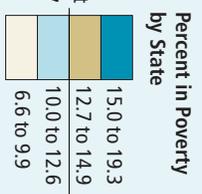
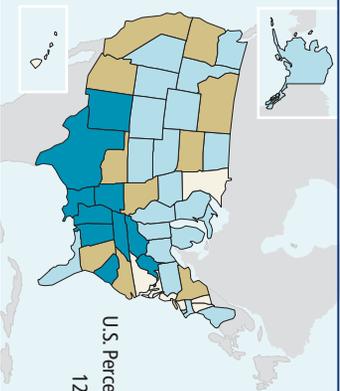
responsive solutions. An effective national strategy requires a true public-private partnership. Thus, our recommendations are directed toward the federal government, state and local governments, businesses, the faith-based community, other voluntary organizations, and individuals.

While our scope is broad, there are key aspects of an overall strategy that we do not discuss here, or touch on only briefly. For example, we highlight the need for health care for all and for a more effective K-12 education system, but present no specific proposals. We do not discuss approaches to comprehensive immigration reform. We do not discuss retirement security or related issues of poverty among the elderly. And, we only briefly discuss the need to develop workplaces that are more responsive to the needs of families. Thus, while we present recommendations in twelve important areas, we emphasize that other components must also be part of a comprehensive strategy.

How far would our strategy go toward cutting poverty? The Center for American Progress contracted with the Urban Institute to estimate the effects of raising the minimum wage, expanding the Earned Income Tax Credit and Child Tax Credit, and broadening child care assistance. The Urban Institute estimates that these steps alone would cut poverty in America by 26 percent, or 9.4 million fewer Americans living in poverty. This reduction would get us more than halfway to the goal of a 50 percent reduction.



PERCENTAGE OF TOTAL POPULATION IN POVERTY, 2004



Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program.

THE CASE FOR A NATIONAL GOAL

The United States should establish a national goal of cutting poverty in half over the next ten years and setting the nation on a course to end poverty in a generation.

We recommend the goal of cutting poverty in half because adopting such a goal expresses the importance and urgency of action and provides a clear standard against which we can measure progress.

A goal of a 50-percent reduction in ten years is ambitious but attainable. In the ten years between 1964 and 1973, poverty fell by 42 percent. In the eight years between 1993 and 2000, poverty fell by 25 percent. This experience tells us that a 50-percent reduction would be more than we have seen in a ten-year period since poverty measurement began in 1959. But we are a far wealthier nation now than 50 years ago.

What would it mean to accomplish a 50-percent reduction in poverty? It would mean that nearly 20 million fewer Americans would be living in poverty. It would mean more working Americans, dramatically fewer working people in poverty, stronger, more vibrant communities, and millions of children beginning their lives with vastly more opportunity than they have today. It would mean a healthier population, less crime, more economic growth, a more capable workforce, a more competitive nation, and a major decline in the racial inequities and disparities that have plagued our nation.

We tie the goal of cutting poverty in half in ten years to the goal of ending poverty in a generation. At each point, we should always ask whether a policy or proposal brings us closer to meeting both short-term and long-term goals. And we should ensure that policies to reduce poverty also reduce

the nation's large racial and ethnic disparities in poverty rates.

The virtues of setting a national goal are evident in the experience of the United Kingdom. In 1999, The U.K. committed itself to ending child poverty by 2020, with interim goals of cutting child poverty by one-quarter and one-half. Having this goal focused the attention of people in and out of government, and established accountability for those developing and implementing the government's strategies. Having the national goal has led to dramatic progress: between 1998 and 2005 the number of children in poverty fell by 600,000—from 3.4 million to 2.8 million—using the U.K.'s measure of relative poverty. By U.S. measures, child poverty in the U.K. fell far more.¹⁶

How might Congress and the next administration implement this goal of cutting poverty in half in ten years? We recommend that the next president begin with an executive order declaring the goal and send legislation to Congress. Within the White House, the Domestic Policy Council and National Economic Council should exercise joint responsibility for advancing the goal. In their annual budget justifications, each agency should describe its action plan for advancing the national goal.

The White House should issue an annual report, describing federal actions, state and local progress, the contributions of private actors, civil initiatives and voluntary efforts. The report should provide an annual scorecard of short-term and long-term measures of progress.

Moreover, Congress should establish a fund for demonstration projects and innovative policy experiments. This new fund should be guided by a nonpartisan expert panel that would make recommendations for funding and evaluating new approaches.

Limits to the Official Poverty Figures

The federal government uses an official definition of poverty to report poverty statistics and calculate eligibility for various programs. It compares a family's pretax income to a defined poverty threshold. This measure is limited or flawed in a number of ways.

Any effort to measure poverty in terms of income alone is limited. Doing so does not capture the extent or severity of material hardships, and does not fully consider a family's assets or lack of assets. Moreover, measuring poverty in terms of income does not capture the concept of "social inclusion," a term used in Europe to describe concern about those outside the social mainstream who are unable to participate in the normal activities of citizens.²² The idea of social inclusion emphasizes that integrating people into the social mainstream calls for addressing the range of issues that prevent full participation in society.

The U.S. measures poverty with an "absolute" poverty measure which compares incomes to a dollar amount that was set decades ago, adjusted only for inflation. Many developed countries use a "relative" measure, which compares the income of a family or an individual to 50 percent or 60 percent of the median. Other developed nations do this because they believe the right question to ask is not simply about material deprivation but about how many people and families are far outside the social mainstream. The answer is better reflected by comparing income to the median. In 1959, the federal poverty measure in the United States represented about 50 percent of median income for a family of four. Today, it represents only about 30 percent of median income for such a family.

There's a strong argument that the U.S. poverty thresholds are too low. In a 2004 survey by Corporate Voices for Working Families, 59 percent of respondents thought a family of four needs at least \$40,000—an amount over twice the federal poverty line—to support a family of four at a decent level. Only one percent thought that income of \$15,000 to \$20,000 was sufficient to do so.²³ In recent years, states, localities, and community groups across the country have developed self-sufficiency standards or basic family budgets to estimate the actual costs of getting by in communities. These studies routinely find that the amount a family needs for a reasonably decent standard of living is at least twice the federal poverty line.²⁴

The current measure is also flawed in how it considers income. It is a pre-tax measure, so it doesn't consider the ways in which tax credits such as the Earned Income Tax Credit make families better off or regressive state taxes make them worse off. The current measure only counts cash income, so it doesn't consider the ways in which near-cash benefits such as Food Stamps or housing subsidies make families better off. It also doesn't consider work expenses, so it doesn't recognize how child care or transportation costs affect family budgets.

A better poverty measure would use a more realistic threshold and do a better job of recognizing families' actual resources, taking into account taxes, near-cash benefits and work expenses.

OUR STRATEGY: WORK, OPPORTUNITY, SECURITY, AND WEALTH

Our recommendations are guided by a four-pronged strategy:

- **Promote Decent Work.** People should work and work should pay enough to ensure that workers and their families can avoid poverty, meet basic needs and save for the future.
- **Provide Opportunity for All.** Children should grow up in conditions that maximize their opportunities for success; adults should have opportunities throughout their lives to connect to work, get more education, live in a good neighborhood, and move up in the workforce.
- **Ensure Economic Security.** Americans should not fall into poverty in times when they cannot work or work is unavailable, unstable, or pays too little to make ends meet.
- **Help People Build Wealth.** All Americans should have assets that allow them to weather periods of flux and volatility and to have the resources that may be essential to upward economic mobility.

No single approach or policy solution will end poverty in America. Good jobs and benefits matter. Strong families matter. Good education matters. Safe and enriching neighborhoods matter. Opportunities to increase assets and wealth matter. Economic security and access to health care matter. Protections for the most vulnerable matter. Personal initiative and corporate responsibility matter.

Our overall strategy seeks to foster a new cycle of prosperity for our nation. Policies that promote personal responsibility are important, but they are not enough. They must be paired with policies of social responsibility.

We understand that some policymakers highlight the importance of promoting marriage as a strategy for reducing poverty. Research consistently finds that all else being equal, children growing up with both parents in a healthy marriage are more likely to fare better over time in terms of social and educational outcomes.¹⁷ At the same time, all else is often not equal. Children with loving parents can and do thrive in a range of family structures. Government policies should not penalize or burden marriage, but they should support families in ways that recognize the range of settings in which children grow up.

People should work and work should pay enough to ensure that workers and their families can avoid poverty, meet basic needs and save for the future.

Promote Decent Work

A starting point for decent work is the need for a full employment economy.¹⁸ The virtues of such an economy became clear in the 1990s. When labor markets became tight, low-wage workers saw wages, health insurance, and pension coverage increase. Real incomes grew and poverty fell.¹⁹

Our recommendations seek to increase employment for disadvantaged youth and former prisoners. Expanding child care and the Earned Income Tax Credit, and other recommendations, should also increase employment. At the same time, compared with other nations, the principal reason for high poverty rates here is not low work effort. Poor households in the United States work more than those in many other developed countries.²⁰ We should seek to raise labor force participation, but we must also raise the returns to work.

In 2005, one-fourth of all workers (24 percent) were in jobs for which year-round, full-time work would not pay enough to keep a family of four above the poverty threshold.²¹ Twenty-nine percent of work-

ing women and twenty percent of working men were in such jobs. During the strong economy of the 1990s, the share of workers in low-wage jobs fell from 31 percent in 1992 to 24 percent in 2001, but there has been no improvement since then.²²

The share of low-wage jobs in the U.S. economy will likely remain sizable in the next decade. The U.S. Bureau of Labor Statistics calculates that the share of jobs requiring a high school diploma or less was 47 percent in 2004. BLS estimates that the share will be 46 percent in 2014.²³ Of the 30 jobs expected to account for the largest share of new job growth, 18 currently pay low or very low wages.²⁴

In fact, the jobs paying the lowest wages and requiring the least training made up half of the new jobs among the 30 occupations highlighted in BLS data. Moreover, these are the types of jobs least likely to provide employer-based benefits such as retirement, health care, sick leave, and employer-provided educational benefits. Workers in low-wage jobs are far less likely to receive these benefits than are workers in higher-wage jobs.

TABLE 1: PERCENTAGE OF WORKERS WITH ACCESS TO SELECTED BENEFITS, PRIVATE INDUSTRY, 2006

WAGES	LESS THAN \$7.38	\$7.38 TO \$9.32	\$9.83 TO \$19.65	\$19.66 TO \$29.47	GREATER THAN \$29.47	ALL WORKERS
Retirement Plan	21	41	64	79	83	60
Medical Benefits	21	49	81	88	89	71
Dental Benefits	12	28	50	62	70	46
Life Insurance	12	34	59	67	72	52
Short-term Disability	10	21	41	53	61	39
Long-term Disability	4	11	30	47	60	30
Paid Holidays	33	63	86	87	88	76
Paid Sick Leave	16	41	63	74	79	57
Paid Vacations	39	64	87	87	87	77
Paid Family Leave	2	4	8	12	14	8

Source: Bureau of Labor Statistics, National Compensation Survey, March 2006 (unpublished data).

The fact that many jobs in the future will be low-skill does not mean people working in those jobs should be poor. We recommend raising the minimum wage, expanding the Earned Income Tax Credit, and promoting unionization. Together, these strategies can ensure a basic minimum standard for all workers, provide avenues for workers to attain higher wages, and supplement the earnings of those who cannot earn enough to live in decency.

We also recommend that the government act to improve the quality of child care and expand child care assistance to help families work and children grow and develop. We propose expanding access to post-secondary education and lifelong learning as ways to help workers prepare for and respond to the changing needs of the workplace. And we recommend housing and development policies to help people live near their place of employment and get to work more easily.

There are key parts of an overall anti-poverty strategy that we do not consider in detail here. For example, low-wage workers face routine violations of labor rights in many sectors of the economy: in sweatshop settings; through employers categorizing workers as independent contractors; and through the exploitation of vulnerable immigrant workers. On any given day, over one hundred thousand day-laborers—75 percent of whom are undocumented migrants—are “regularly denied payment for their work. Many are subjected to demonstrably hazardous job sites.”²⁵ All workers in the United States deserve full wage, health, safety, organizing, and whistle-blower protections, and would benefit from significantly improved federal and state enforcement efforts.

Low-wage and other workers would also benefit from workplace policies that are more responsive to family needs. Today,

nearly 70 percent of families with children are headed by two working parents or a single working parent.²⁶ According to the Urban Institute, 84 percent of working parents with incomes above twice the poverty line have paid leave (sick days, personal days, vacation, or another form of paid leave). In contrast, only 46 percent of working parents below the poverty line have such benefits.²⁷

Assuring all workers a minimum number of paid sick days and creating a national framework for family and medical leave insurance would be important steps. A business commitment to family-responsive workplaces would benefit children and parents, improve job stability for low-wage and higher-wage workers, and enhance overall workforce productivity. Supportive policies should be available to both the highest-paid and the lowest-paid workers.

Provide Opportunity for All

All children should be able to begin life with fair life chances and with opportunities to move up over time. The family you are born into should not determine your success in life. No matter who you are, or what has happened to you, you should be able to improve your circumstances.

Unfortunately, we have a long way to go to reach these ideals. Many advanced nations boast greater economic mobility than the United States. Studies show that the correlation between the earnings of sons and fathers (the standard measure of intergenerational mobility) is stronger in the U.S. than in many countries in Europe,²⁸ and that fewer low-income individuals are able to exit low income status from one year to the next in the United States.²⁹

Indeed, 42 percent of American children born in the bottom income quintile remain in that quintile as adults, while only

six percent of such children end up in the top quintile.³⁰ Children from low-income families have only a one percent chance of reaching the top five percent of the income distribution, while children of the rich have about a 22 percent chance.³¹

Our nation's lower economic mobility is at least partly attributable to social policies and educational disparities. As *The Economist* observes, “for Europe, the secrets of greater social mobility are, first, tough redistribution policies that particularly benefit those at the bottom; and, especially in Nordic countries, a more supple and less class-ridden education system, running from top to bottom.”³²

Education can be a great leveler. Yet too often the poorest children and workers in the United States have the fewest educational

opportunities.³³ That is why high quality, universally accessible education—from early childhood through post-secondary—is essential to increasing opportunity and mobility.

Building strong, interconnected communities where families can thrive is central to opportunity and mobility. Communities can affect people's access to high quality public services, their employment opportunities and their social networks. Families in every neighborhood should be able to access employment opportunities and services throughout their region.

Even in the best of circumstances, some groups fall through the cracks and need more help. Tailored services and support, including education and training opportunities and direct job creation, should be targeted at these groups. Our recommendations focus



Children in Dallas studying nutrition at a Women, Infants, and Children, or WIC Program. (AP)

on ways to ensure that all children begin life with equal opportunity, and that all Americans are offered a fair shot at improving their circumstances throughout their lives.

A fundamental part of ensuring opportunity for all should involve comprehensive immigration reform that includes a path to citizenship. We recognize that the many issues presented by such a proposal are worthy of a task force in itself, and so have opted to not explore them in what could

only be a cursory form in this report. We emphasize, however, that adopting such comprehensive immigration reform is essential to fighting poverty in our nation.

Ensure Economic Security

The idea of social security is grounded in the principle that our nation is more secure when we share some risks together. Our economy depends on risk and entrepreneurship. In such an economy, a basic set of

Education and Health Care

Two elements that are indispensable to fighting poverty are high-quality K-12 education and health care coverage for all. Because each merits its own full discussion, and CAP has recently issued a major Task Force report for K-12 education and a major plan for health care, neither is explored in detail here. Still, it is important to emphasize their centrality to efforts to address poverty.

High Quality K-12 Education: America suffers from a profound disparity of educational opportunity. As a recent joint report from CAP and the Institute for America's Future noted, "academic gaps represent a fundamental failure in the promise of our education system to ensure that every child has the opportunity to reach his or her fullest potential. Reverberating through the lives of millions of children, these gaps stifle economic growth and endanger our society."

Quality education provides children with the knowledge and skills they need to succeed in the workplace. Equally important, it also helps children develop a capacity for sound judgment and critical thinking. A renewed investment in our public education system will allow our children to remain competitive in the job market and will permit our country to maintain its prominence in the global economy.

The CAP/IAF Task Force called for:

- **More and Better Use of Learning Time:** All students need to start earlier, with pre-school for all, starting with low-income children first. Students also need to continue their studies longer by obtaining a college education or post-secondary occupational credential.
- **High Expectations, National Standards, and Accountability for All Students Learning:** The federal government should support the crafting, adoption, and promotion of voluntary, rigorous national standards, expand national accountability measures, and assist low-performing schools and districts.
- **Highly Qualified Teachers for Every Classroom and Strong, Effective Leaders for Every School:** States and local school districts, with support from federal financial incentives, should restructure and upgrade preparation programs and on-the-job training opportunities for teachers and school leaders and redesign compensation and career advancement systems to reward effective teachers and school leaders through fair performance measures.

social protections can ensure that unanticipated events such as illness, natural disasters, unemployment, and loss of a family member do not have catastrophic consequences for families and communities.

Economic security for Americans should mean that work protects workers and their families from poverty. It should mean that when a worker loses his or her job there will be time to look for a better one or upgrade education and skills, without risking evic-

tion or foreclosure. It should mean that individuals with disabilities are encouraged and supported in efforts to participate in the workforce to the maximum extent possible, without fearing that efforts to do so risk leaving them with no source of support. It should mean that no child in America should be hungry or homeless. And it should mean that people have savings to fall back on.

One key part of economic security is connecting workers with jobs, and ensuring

- **Connecting Schools with Families and Communities:** There should be increased state and federal support for the establishment of community schools that connect students and families to social services.

Health Care For All: America's health system is in crisis—it costs too much, covers too few, and provides far too little. In 2005, nearly 45 million people lacked health insurance.²⁵ Almost one-quarter of households with income below \$25,000 a year lack health insurance, compared to just eight percent of households with income above \$75,000.²⁶ In 2005, 19 percent of children in poverty were uninsured, compared to 11.2 percent of children above poverty.²⁷

Exorbitant medical bills and high out-of-pocket expenses can prevent families from climbing out of poverty and can drive other families into poverty. In recent years, declines in employer-based health care coverage and budget cuts to Medicaid have caused the number of uninsured to rise.²⁸ The rising costs of uncompensated care may result in higher health care prices and health insurance premiums, making it even more difficult for low-income families to afford health care coverage.²⁹

CAP's health care plan calls for:

- **Providing quality, affordable coverage for every American.** At least one of the following insurance options would be available to everyone: employer-sponsored insurance; Medicaid; or private health coverage offered through a new group insurance pool, like the system used by federal employees and members of Congress. Refundable tax credits would be structured to guarantee that premiums never exceed more than a small, fixed percent (five percent to 7.5 percent) of income.
- **Emphasizing preventive care.** Coverage for preventive services would be taken out of the insurance system and coordinated through a new, nationwide but community-based benefit focused on disease prevention and health promotion.
- **Sharing costs of coverage through a new broad-based funding source.** A small value-added tax would be dedicated to health system improvement, with targeted exemptions to reduce the impact on low-income individuals and lower administrative costs.

There are other thoughtful approaches to health care. It is essential for the next administration to prioritize the need for coverage for all.

that work pays enough to provide for a decent life. Another key part is having an unemployment insurance system that helps those between jobs live in decency while they seek to get or prepare for a better job. Our unemployment insurance recommendations seek to promote such a system.

Our nation has never had a comprehensive safety net of income assistance. The federal government provides Supplemental Security Income benefits for low-income elderly persons and individuals with severe disabilities, but the benefit level is only about 75 percent of the federal poverty level. For working-age adults without children who have exhausted or do not qualify for unemployment insurance, there is no federal (and often no state or local) income support program.

Until the mid-1990s, states were required to provide Aid to Families with Dependent Children benefits (at benefit levels determined by each state) to families with children with little or no income, but AFDC was eliminated in 1996. Now, states receive annual block grants through the Temporary Assistance for Needy Families Program, with which they operate time-limited assistance programs for poor families.

The Food Stamp Program goes furthest in providing near-cash assistance to the poor. Food Stamp benefits can only be used for food but are broadly available, with some significant exceptions, to families and individuals with incomes below 130 percent of the federal poverty line.

We recommend revamping a number of low-income assistance programs to make them more accessible to those in need, promote and support work, encourage savings, and be more responsive to the needs of individuals with disabilities. We recommend a basic level of support for children in need, through an expanded federal child tax credit. And we

recommend a restructured federal Saver's Credit to better support savings for a range of purposes by low-income families.

Here again, we do not address every aspect of economic security. The broader issues in ensuring retirement security are beyond our scope, as are many aspects of the benefits system for individuals with disabilities. While we do not make a specific health care recommendation, we believe that a fundamental part of ensuring security must involve providing affordable health care for all.

Help People Build Wealth

Asset-building is integral to a strategy to prevent and reduce poverty. Assets protect against economic vulnerability, helping workers and families withstand the temporary income shocks that come with unexpected events such as medical emergencies or job loss. Assets can also be a gateway to upward mobility—making it possible for many to get a college education, buy a home or start a small business and pass along opportunities to their children. Moreover, having assets can foster long-term planning, provide a foundation for taking prudent risks, and increase community involvement and civic participation.³⁴

Unfortunately, asset inequality is severe in the United States and substantially larger than income inequality. In 2004, the wealthiest one percent of households held more of the country's total net worth than the bottom 90 percent of households (34 percent compared to 29 percent).³⁵ The racial wealth gap is also more severe than the racial income gap. In 2004, the median net worth of white non-Hispanic families was over five times that of non-whites or Hispanics (\$140,700 compared to \$24,800).³⁶

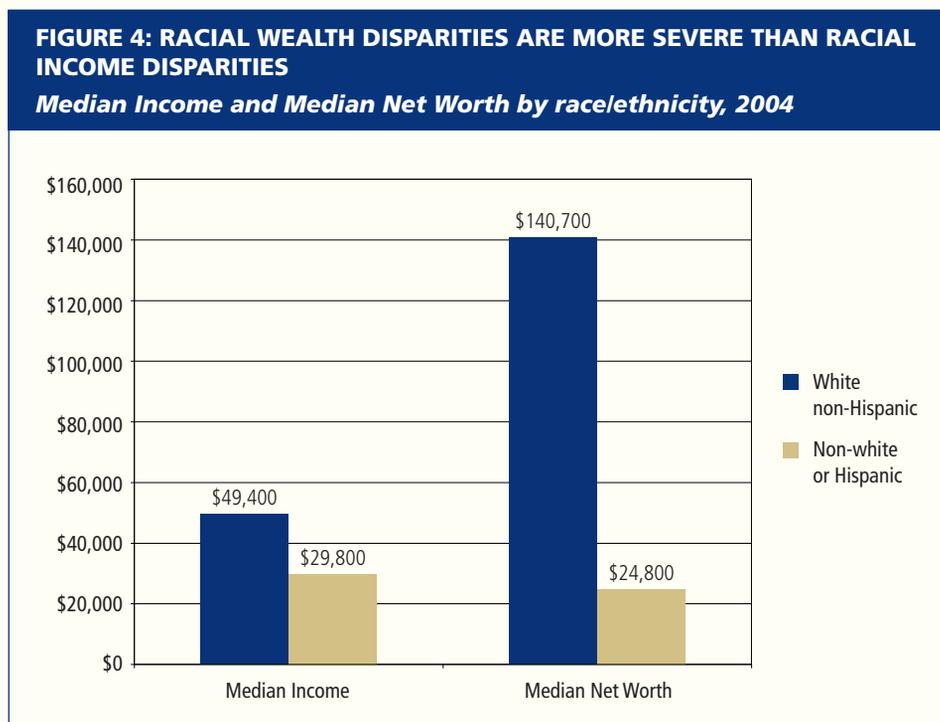
Over one-third of all households have few or no assets. In 2001, 37.5 percent

of households were “asset poor,” meaning they did not have enough liquid assets to live above the poverty line for three months. Most African-American and Hispanic households (62 percent) were asset poor, as were nearly one-third (30 percent) of white households.³⁷

While some federal policies reduce market-based income inequality, other federal policies make wealth inequalities worse. CFED, a national organization specializing in economic development, has demonstrated that federal policies disproportionately favor those who already have assets. CFED calculates that the federal government spends an estimated \$335 billion a year to foster asset-building.³⁸ Yet, looking at three of the largest federal asset-building policies—reduced rates on capital gains and dividends, the mortgage interest deduction, and the home property tax deduction—CFED found that 84 percent of the benefits go to taxpayers in the top 20 percent of the income distribution.³⁹

We focus on key steps to help more low-income families begin to create wealth. First, raising labor force participation and making work pay a decent wage are integral to efforts to help people save and accumulate wealth. Similarly, ensuring opportunities for lifelong learning helps people earn more and save for the future.

Too often, lower-income families pay more than higher-income families for the same consumer products. In order to save, families need both adequate income and access to competitively-priced goods and services. They also need better saving vehicles to help them meet their long-term goals—whether saving for further education, for their children’s future, homeownership, or for their own retirement. Thus, we highlight strategies to reduce the costs of being poor, the importance of reducing or eliminating assets tests in means-tested programs, and the need for federal tax policy to provide tax-based help for savings efforts among low-income households.



Source: Federal Reserve Board, Survey of Consumer Finances, 2004.

HOW TO CUT POVERTY IN HALF

In this section, we describe 12 recommendations designed to cut poverty in half in 10 years. While we describe them individually, we believe it is important to view them as a package, in which each has positive effects that will reinforce the effects of the others.

1. *Raise and Index the Minimum Wage to Half the Average Hourly Wage*

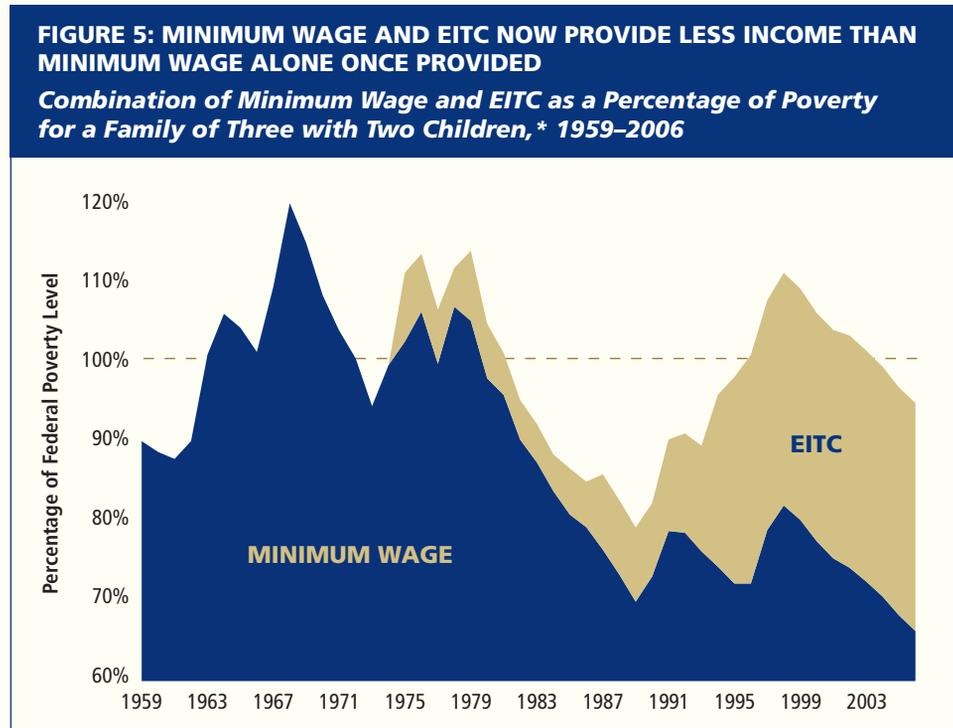
At \$5.15, the federal minimum wage is at its lowest level in real terms since 1956.⁴⁰ It is at its lowest level compared with the poverty level since poverty thresholds were first calculated in 1959.⁴¹ It is at a 57-year low compared with the average wage.⁴²

For most of the 1960s and 1970s, a worker with a full-time minimum wage job could support a family of three above the poverty line.⁴³ Since then, the minimum wage has fallen so far that the combination of the min-

imum wage and Earned Income Tax Credit now provides a family with less income (in real terms) than did the minimum wage alone in much of the 1960s and 1970s.⁴⁴

Since 1997, 30 states and the District of Columbia have increased their own minimum wages.⁴⁵ We encourage states and localities to adopt higher minimum wages. We also encourage adopting living wage laws, which can lift affected workers out of poverty without decreasing employment or unreasonably increasing municipal costs.⁴⁶ The scope and coverage of living wage laws can and should be expanded. At the same time, an adequate national floor is essential.

Over a 10-year period, the federal minimum wage should be re-established at 50 percent of the average wage and then be maintained at that level. We agree with the 665 economists who have endorsed raising the federal minimum wage to at least \$7.25.⁴⁷ But this step is not enough. The minimum wage is



* Assumes a single earner in a two-child family of three, working 40 hours per week, 52 weeks per year, and receiving the EITC.

a statement about the relationship between those who are paid the least and the rest of society. When the minimum wage falls too far below the average wage, the lowest-paid workers fall further and further outside of the social mainstream.

During the 1950s and 1960s, the minimum wage was at or near 50 percent of the average wage among non-supervisory workers.⁴⁸ Today, the minimum wage is about 30 percent of the average wage. Raising it to \$7.25 would bring it to about 40 percent of the average wage. To equal 50 percent of the average wage in 2006, the minimum wage would have needed to be set at \$8.40.

We recognize that setting the minimum wage too high could result in undesirable job loss. Research in recent years, however, has found that modest increases in the minimum wage have modest or no effects on job loss.⁴⁹ We believe that the benefits of our proposed minimum wage increase would far outweigh any costs. An adequate minimum wage should be a foundation for our efforts to ensure that work is protection from poverty.

2. Expand the Earned Income Tax Credit and Child Tax Credit

Two key tax provisions, the Earned Income Tax Credit and Child Tax Credit, play important roles in supporting work and helping low- and moderate-income workers and families. We recommend improvements to both.

The EITC is among the nation's most successful anti-poverty programs. As an earnings supplement for low- and moderate-income working families, it raises family incomes, lifts children out of poverty⁵⁰ and helps families build assets.⁵¹ With broad bipartisan support, the EITC currently distributes \$40.6 billion annually to about

22.5 million Americans—nearly 88 percent of whom receive a net tax refund.⁵²

As of March 2007, 20 states and the District of Columbia offered their own additional EITCs,⁵³ as did three local governments—Montgomery County, Maryland; New York City; and San Francisco.⁵⁴ We encourage states and localities to pass and expand their own EITCs to supplement the federal EITC.

EITC expansions in the 1990s helped increase employment and reduce poverty among single-parent families.⁵⁵ Expanding the EITC could help other groups:

- **The maximum EITC for childless workers should be increased to 20 percent of initial earnings, nearly triple its current level.** The EITC provides a very small benefit to childless adults. The EITC benefit is 40 percent of initial earnings for families with two or more children and 34 percent for families with one child. Yet it is only 7.65 percent of initial earnings for workers without children. In 2007, the maximum benefit for a childless worker was \$428, barely 15 percent of that for a worker with one child.⁵⁶ Of 24 million poor adults, about 60 percent have no children or are non-custodial parents who do not reside with their children. A larger EITC for these adults could reduce their poverty and encourage their increased labor force participation.
- **The EITC should be available to childless workers between ages 18 to 24 who are not full-time students.** Currently, the EITC for childless workers is not available to workers under age 25. There are over three million poor childless adults ages 18 to 24. Nearly 1.6 million of them work, including 240,000 who work year-round

full-time.⁵⁷ Extending the EITC to 18 to 24 year olds could encourage increased work and lower poverty.

- **In calculating the EITC for two-parent families, half of the earnings of the lower-earning spouse should be excluded if doing so would result in a larger EITC for the family.** Since EITC eligibility and credit amounts are based on the combined earnings of spouses, low-income couples can suffer sharply reduced EITC benefits by getting married. Current law partially addresses this problem by establishing a different eligibility rule for married couples. We believe it is important to go further. We recommend disregarding half of the lower-earning spouse's wages if doing so would result in an increased EITC for the family.⁵⁸

- **The EITC benefit for families with three or more children should be increased to 45 percent of initial earnings.** Families with three or more children have a poverty rate of 25.2 percent, compared with the poverty rate of 13.1 percent for families with one or two children.⁵⁹ The EITC currently provides a bigger credit for families with two or more children than for families with one child, but there is no further adjustment as family size increases. Raising the benefit to 45 percent of initial earnings for families of three or more children would reduce poverty among these working families.

Our EITC recommendations would also help noncustodial parents. An Urban Institute analysis found that in 1999 only about half of poor non-resident fathers were employed, and just eight percent worked full-time, year-round. They had median earnings of just \$5,000.⁶⁰ An expanded EITC for childless workers could help

increase work among non-custodial parents, particularly if tied to expanded employment services.

Other recent research underscores the need for strategies to broaden income support for low-earning workers. In a new proposal, Gordon Berlin of MDRC, a leading research and evaluation organization, has proposed that an EITC-like earnings supplement be made available to all low-wage workers ages 21 to 54 who are working at least 30 hours a week.⁶¹ And a new study, *Higher Ground: New Hope for the Working Poor and Their Children*,⁶² describes the positive impacts of Milwaukee's New Hope experiment, in which adults were assured of wage supplements, child care and health care if working 30 hours a week, and temporary subsidized jobs were made available to those who needed them.

We hope that these proposals and findings, along with our recommendations, will prompt federal, state, and local action to broaden assistance to low-earning workers.

The EITC expansion should be combined with an improved Child Tax Credit. Most developed nations provide some form of children's allowance to ensure a basic level of support for children. The United States does not. A common objection has been that providing an allowance for children would reduce incentives for parents to work. But the existence of the EITC ensures that families with low or no earnings will always be significantly better off by working or expanding work hours

The federal Child Tax Credit should be made fully refundable so that all low-income children can benefit from the credit. The credit should be adjusted for inflation so that it retains its value over time. The current credit provides up to \$1,000 per child for up to three children. Full benefits are

Global Poverty

The growing movement in the United States to reduce poverty comes on the heels of an international campaign to “make poverty history.” In 2000, all 189 member states of the United Nations General Assembly adopted the Millennium Development Goals, which set a vision for the future: “a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, and a healthier environment; a world in which developed and developing countries worked in partnership for the betterment of all.”³⁰

The statistics on global poverty are stark:

- Over one billion people, or 19.4 percent of the world’s population, live on less than one U.S. dollar a day.³¹
- 824 million people were affected by chronic hunger in 2003.³²
- Every year almost 11 million children in developing countries die before the age of five; most die from causes that are readily preventable.³³
- 38.6 million people worldwide live with HIV. In 2005, 2.8 million people died from AIDS.³⁴

- More than 100 million primary school-aged children remain out of school.³⁵

The Millennium Development Goals include a set of eight, time-bound targets. One of the goals is to halve the proportion of people living on less than a dollar a day by 2015 (relative to 1990 levels).³⁶

Campaigns in many developed countries are holding world leaders to these goals. In the United States, the ONE campaign has mobilized Americans from all walks of life—including students, ministers, and celebrities—to call for greater resources to fight global poverty.³⁷ Others have pushed for greater wealth creation in marginalized communities overseas through instruments such as microfinance.

Ultimately, global and domestic poverty are interconnected, as are the solutions to these challenges. As living standards improve abroad and opportunities for decent work increase, the global middle class will expand. Heightened demand for American goods and services will, in turn, help generate job opportunities and raise living standards in low-income communities at home.

available to families with annual incomes as high as \$110,000. Yet the credit provides no benefit to the poorest families because it is “nonrefundable,” meaning that it only helps families with incomes high enough to have tax liability.

Families with earnings exceeding a particular amount—\$11,300 in Tax Year 2006—can qualify for a refundable “Additional Child

Tax Credit,” but families with lower or no earnings receive no benefit. Thus, the poorest 10 million children receive no help from the credit and another 10 million children receive only a partial credit because of low family earnings. In 2005, half of all African-American children, 46 percent of Hispanic children, and 18 percent of white children received no credit or only a partial credit because their families had low or no earnings.⁶³

The increased union representation made possible by the Act would lead to better jobs and less poverty for American workers.

3. Promote Unionization by Enacting the Employee Free Choice Act

Ensuring workers' freedom to form unions and bargain collectively should be a key part of an anti-poverty strategy. Among workers in similar jobs, unionized workers have higher pay, higher rates of health coverage, and better benefits than do non-unionized workers.⁶⁴ Unions help non-unionized workers, too, by creating competitive pressure for employers to improve their wages and benefits.⁶⁵ Joining a union can be especially important to low-wage workers. Union cashiers, for example, earn 46 percent more than non-union cashiers, union food preparation workers earn nearly 50 percent more, and union maids and house-keeping cleaners earn 31 percent more.⁶⁶

In recent decades, the share of private-sector workers who are unionized has fallen to a historic low of 7.4 percent.⁶⁷ A recent survey, however, suggests that 53 percent of non-union, non-managerial workers would definitely or probably vote to form a union if an election were held in their workplace.⁶⁸

A major factor contributing to the gap between the number of workers who want unions and the number who have them is the erosion of legal protection for workers who want to form a union, combined with aggressive, often unlawful, employer tactics and an increasingly unresponsive National

Labor Relations Board that has failed to enforce workers' rights under federal law.⁶⁹ In 2005, more than 31,000 workers were fired or penalized for union activity.⁷⁰

Today, when a majority of workers informs their employer that they want a union, the employer has no duty to accept this preference. Instead, the employer can require a separate election and then put workers through weeks, months, and sometimes years of pressure tactics, including captive audience meetings, interrogation and surveillance by supervisors, threats, misrepresentations, and even discharge of union supporters.

Congress should enact and the president should sign and enforce the Employee Free Choice Act. The Act would require employers to recognize a union after a majority of workers signs cards authorizing union representation. The Act also provides for mediation and arbitration of first-contract disputes and establishes stronger penalties for violation of employee rights during first-contract negotiations and when workers seek to form a union.

As Human Rights Watch has noted, when the "majority sign-up" or "card check" provisions of the Employee Free Choice Act become law, "workers' chances of freely exercising their freedom of association would increase dramatically."⁷² The increased union representation made possible

by the Act would lead to better jobs and less poverty for American workers.

4. *Guarantee Child Care Assistance to Low-Income Families, and Promote Early Education Opportunities for All*

Millions of families face two critical challenges: how to ensure that their children thrive, develop, and are ready for school; and how to ensure that their children are safe and well-cared for while parents work. Because public schooling typically begins at age five or six, families are largely left to make their own arrangements for early care and education.

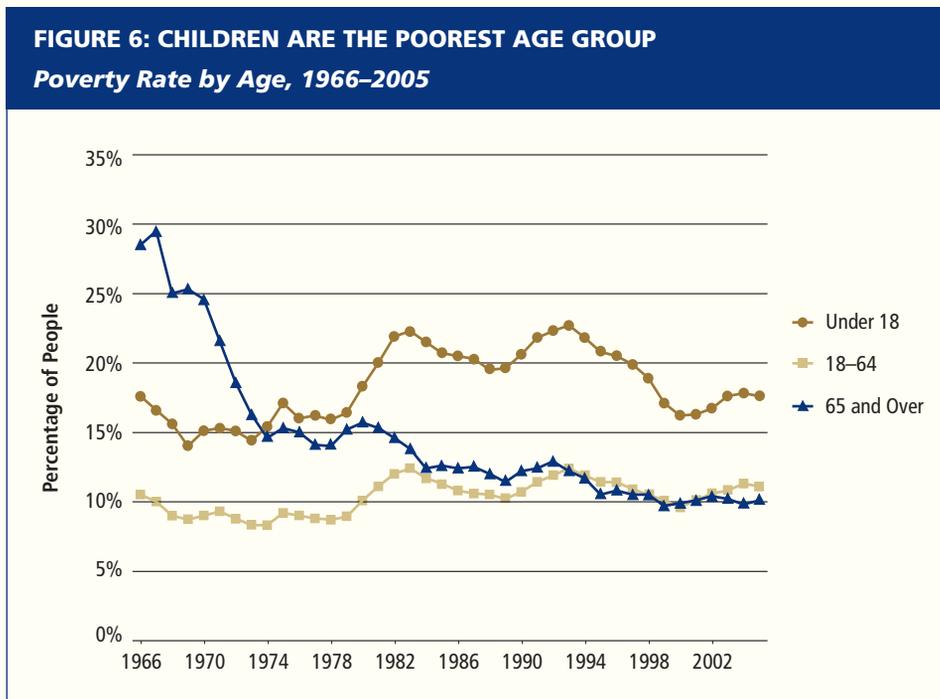
Facing these challenges, wealthy families may be able to purchase high-quality early care and education for their children. Too often, low-income and middle-class families cannot.

The United States lacks a comprehensive system of early care and education for its pre-school children. Head Start provides early education and health and social services, but only reaches about half of

eligible poor three- and four-year olds, typically in part-day, part-year programs. States use federal block grant funds and state funds to provide child care subsidy assistance to low-income families, but funding is only enough to reach about one in seven families eligible under federal law. And payment rates are often too low to help families purchase high-quality care.

The federal Child and Dependent Care Tax Credit defrays a small share of the cost of child care: 20 percent to 35 percent of the first \$3,000 for one child or \$6,000 for two or more children. But this tax credit only offsets tax liability. As a result, families with incomes below \$20,000 receive less than one percent of its benefits.⁷³

For families receiving no or inadequate assistance, the results are often not good for children or their working parents. Low-income working families who pay for child care purchase cheaper care than do high-income families, while paying a much larger share of their income to do so.⁷⁴ They often



Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement.

wind up with lower-quality care. Facing the high costs of care, parents may be forced to go into debt, turn to welfare, choose lower-quality or less stable child care, lose time from work, or make untenable choices in their household budgets between paying for child care and paying for rent.⁷⁵

State legislators and governors are increasingly recognizing the need to establish pre-kindergarten programs for all, or at least the most at-risk children. Interest in pre-kindergarten has grown in recent years as compelling research points to the cost-effectiveness of high-quality early education programs.

Still, to date, only a handful of states have implemented or committed themselves to providing universal programs—and even those programs are principally only for four-year-olds, part-day, and part-year. Yet researchers have found better results for poor children who experience comprehensive early care and family support from birth.⁷⁶

The need for child care and the need for early education present a single challenge, not two separate ones. Public school may begin at age four, five, or six, but education begins at birth. Working families often need or prefer different arrangements for

Poverty in Rural America

While many challenges of poverty are similar in rural and non-rural areas, rural poverty has distinct problems that require tailored solutions. Rural poverty³⁸ is often characterized by physical isolation,³⁹ lower education attainment,⁴⁰ poor local infrastructure,⁴¹ and more persistent poverty.⁴² Rural residents report poorer health and more physical limitations. Because they depend on personal transportation and tend to travel longer distances, rural residents may be disproportionately affected by rising fuel costs.⁴³

Rural poor families also face more difficulty securing adequate child care⁴⁴ and, as the Housing Assistance Council notes, “experience some of the worst housing conditions in our nation.”⁴⁵ Additionally, lack of competition seems to have led to a rise in predatory lending in rural areas.⁴⁶

Rural children, especially minorities, are more likely to be poor and live in concentrated and/or persistent poverty areas. Rural poverty experts Daniel Lichter and Kenneth Johnson find that rural poor children “may be more disadvantaged

than ever, if we measure disadvantage by the lack of opportunities and community resources that can promote positive development.”⁴⁷

Furthermore, circumstances of rural poor children seem to be diverging rapidly from those of middle-class children. This fact is particularly troubling since rural poor children are more likely than other children to become poor adults⁴⁸ and rural residents are less likely than their urban or suburban counterparts to exit poverty.⁴⁹

Taken together, these facts suggest a strong need for focused attention addressing rural poverty. Professor Bruce Weber at Oregon State University emphasizes the importance of taking into account the distinct circumstances faced by the rural poor when creating policy solutions. Weber stresses “that state policy should give renewed attention to locality-based job creation and community capacity building,” thereby investing in communities as well as people in order to meet the very specific needs of the rural poor.⁵⁰

States should develop and implement strategic plans for improving the quality of child care.

younger than older children, and not all working families need full-day, full-year care. Regardless of the setting, families should be able to afford high-quality arrangements that will promote healthy child development and a better-educated next generation. Moreover, it is essential to also focus on the needs of families with infants and toddlers, for whom the cost of care is greatest, quality is most uncertain, and the opportunities to make a difference are large.

We are guided by a set of premises. All children, regardless of their parents' income or employment status, need quality early education opportunities. Many middle- and low-income families, not just the poor, need help in paying for child care. Tax-based assistance can help some families, but is not the best way to help the poorest families who cannot afford to pay the up-front costs and wait for once-a-year tax benefits. State initiatives to ensure voluntary access to preschool by age three and to fund pre-kindergarten as part of public school financing should be encouraged. The critical roles for the federal government are to ensure access for lower-income families, create incentives for states to improve quality, and foster coordination to develop a comprehensive approach for children from birth to school-age.

The existing federal child care block grant structure should be replaced by:

- **A federal-state guarantee of child care assistance for all working families with incomes below 200 per-**

cent of the federal poverty line. A family of four would then be eligible with income up to about \$40,000 a year. The subsidy structure should be designed to respect parental choice and ensure access to high-quality child care options.

- **A federal Early Care and Education Strategy Fund.** Funding at about twice the level of current federal spending for quality initiatives should be available to states. With the funding, states should develop and implement strategic plans for improving the quality of child care for all families, and for efforts to coordinate child care, Head Start, pre-kindergarten, and other programs and activities into a system offering early care and education opportunities for children from birth to age five.
- **A revamped Child and Dependent Care Tax Credit,** made refundable and expanded to cover 50 percent of allowable expenses for lower-income families, with the share gradually declining to 20 percent for eligible higher-income families, to ensure that help is available for a broader group of families.

5. Create Two Million New “Opportunity” Housing Vouchers and Promote Equitable Development in and Around Central Cities

Communities shape people's understanding of their world and their visions for the future. Communities can also directly affect

people's employment opportunities, education, and physical and mental health.⁷⁷ But too many Americans live in communities with failing schools, unsafe streets, deteriorating housing, and few jobs.

Economic and racial segregation, long buttressed by government housing and development policies, have confined many families to neighborhoods with limited opportunities. In the worst cases, areas of concentrated poverty are isolated from employment opportunities, good schools, public services, and private-sector activity.⁷⁸

Paul Jargowsky of the University of Texas-Dallas notes that poor people who live in concentrated poverty “not only have to cope

with their own poverty, but also that of those around them.”⁷⁹ While much concentrated poverty is located in central cities, there are areas of concentrated poverty in the suburbs of thriving metropolitan areas and in rural areas such as the colonias in south Texas and reservations in South Dakota.

The number of people living in areas of concentrated poverty declined during the 1990s due to the strong economy, increases in employment, and changes in housing policies. Still, in 2000 almost eight million people still lived in such neighborhoods. Poor minorities, including blacks, Hispanics, and Native Americans, are much more likely to live in such neighborhoods than poor whites.⁸⁰



North Philadelphia neighborhood exemplifies the problem of concentrated poverty. (Flickr/eTombotron)

Our nation should seek to end concentrated poverty and economic segregation, and promote regional equity and inner-city revitalization. People of all income levels should have affordable housing choices throughout metropolitan areas and throughout the country. Gentrification should be balanced by policies to encourage economic integration.

Community-building efforts should work to improve schools, make food and other goods available at nationally competitive prices, attend to physical security, and develop parks and other neighborhood amenities. Our ultimate aim should be to make all communities places that are rich with opportunity, offering their residents access to good-paying jobs,

proximity to public transit, good schools, diverse housing choices, and important services and amenities such as supermarkets, cultural centers, and parks.⁸¹

We should expand housing assistance so more low-income families can afford to live in communities with better opportunities. In 2005, almost 17 million households spent more than 30 percent of their income on rent—exceeding the federal definition of “affordable.” More than eight million households paid more than half of their income in rent.⁸²

The Department of Housing and Urban Development estimates that less than a quarter of households eligible for housing assistance actually receive it.⁸³ Moreover, subsidized housing is often concentrated in poor neighborhoods lacking good services and employment opportunities. Solving the crisis in affordable housing must involve preserving existing and producing new affordable housing,⁸⁴ with a focus on expanding affordable housing in communities of opportunity.

Over the last several decades, researchers have evaluated several different initiatives to help families move to communities with more opportunity. Most recently, the Moving to Opportunity demonstration program offered vouchers to low-income families to help them move to lower-poverty neighborhoods. The MTO evaluation found some positive effects for families that moved, particularly on reported crime and violence and on the mental and physical health of family members. The MTO research, however, did not find increases in employment or earnings among participants.⁸⁵ One lesson may be the need to ensure that participants can move to communities with significantly more opportunities rather than those that are just marginally better. A second lesson may be the impor-



tance of tying the provision of vouchers to employment and social services, and of providing far more attention to family and social networks.

Over the next ten years, the federal government should fund 200,000 new “opportunity vouchers” each year for a total of two million new vouchers designed to help people have the choice to live in opportunity-rich areas.⁸⁶ We recommend creating 150,000 new tenant-based vouchers annually, with payment standards high enough to make a broader range of housing choices available to families. An additional 50,000 new project-based vouchers should be created for specific units in areas with good schools, high-quality public services, and good employment opportunities, and to preserve affordable housing in rapidly gentrifying neighborhoods to prevent displacement of low-income residents. Preference for administering vouchers should be given to agencies that operate regionally or cooperate with other regional agencies to maximize housing choice. Voucher funding should be combined with funding for housing-search assistance and case management services so families can participate in HUD’s Family Self-Sufficiency program, which connects recipients to employment-related services and allows them to accumulate savings as their earnings increase.

Policymakers should also expand the supply of affordable housing. States and localities should remove regulatory barriers to affordable housing and adopt inclusionary zoning laws to require developers to make a share of units in new residential developments available to low- and moderate-income households. At the federal level, the Low Income Housing Tax Credit program should be expanded and a National Housing Trust Fund enacted, as proposed by the National Low-Income Housing Coalition.

Supply-building strategies should be structured so that new affordable housing is in communities with employment opportunities and high-quality public services and in gentrifying communities.

Housing policies should be part of a broader effort to pursue equitable development strategies in regional and local planning efforts. In recent years, a number of cities have attempted to fuel growth by initiating public/private partnerships for large-scale development projects. Too often, the benefits of this growth have not been equitably shared.

Equitable development infuses the goal of racial and economic inclusion into local planning and development at the regional level and in the inner city. Equitable development strategies are multifaceted, including efforts to improve schools, create affordable housing, assure physical security, and enhance neighborhood amenities.

Some key elements of equitable development strategies include:

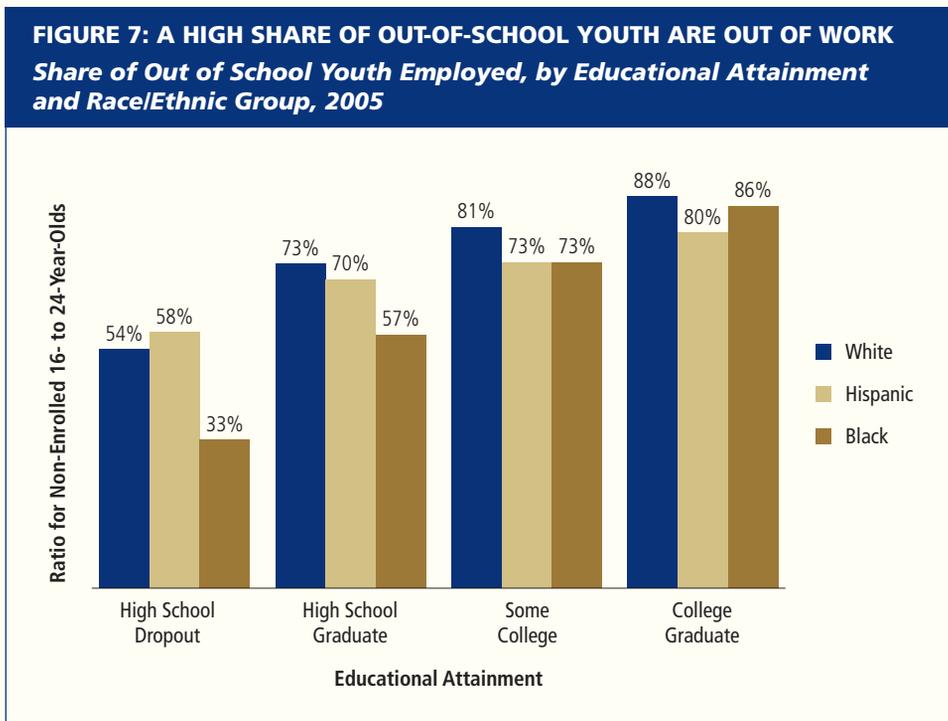
- Improving and developing public transportation to connect residents to jobs and other opportunities across the region and to promote car ownership among low-income families to help them get to work and school.⁸⁷
- Promoting transit-oriented development by siting commercial and affordable housing units close to existing or new transit stations to create walkable communities with links to resources throughout the region.⁸⁸ Federal aid to regional transportation agencies in support of transit-oriented development should require comprehensive planning for affordable housing, economic benefits for local residents, and consistency with the plans of the surrounding neighborhoods.

- Instituting community-benefit agreements to ensure that when public resources are used for redevelopment or development community residents benefit through provisions such as living wage jobs, job training, recruitment for local residents, neighborhood participation in the decision-making processes, and parks, open space, or similar environmental benefits.
- Supporting entrepreneurship and small business development in lower-income neighborhoods, encouraging banks and financial institutions to partner with local government to offer lower-cost loans and financial counseling to first-time entrepreneurs. In particular, the business of retailing fresh, nutritious, and affordable food should be encouraged in lower-income neighborhoods. The federal government could replicate the innovative and successful Pennsylvania Fresh Food Financing Initiative to direct and leverage investment toward communities not served by the existing retailers.⁸⁹

6. *Connect Disadvantaged and Disconnected Youth with School and Work*

In 2005, 4.4 million youth ages 16 to 24 were out of school and out of work. 1.7 million of these youth were poor or near-poor.⁹⁰ Poor youth who are out of school and out of work are often ill-prepared to enter adult society, disconnected from the labor market, schools and faith- and community-based institutions. This disconnection is pandemic in certain distressed rural and urban communities. Young adults in high poverty neighborhoods have much lower employment rates than those in lower poverty neighborhoods; minority youth in high-poverty urban and rural neighborhoods have the lowest employment rates of any group.⁹¹

The education system is failing many young adults, and the United States has no coherent policy to prevent disconnection or help disconnected youth integrate into adult society. Only about 70 percent of young people—and about half of African Americans and Hispanics—graduate from high



Source: Andrew Sum and Paulo Tobar, Center for Labor Market Studies, Northeastern University.

school on schedule.⁹² By their late twenties, most have finished high school or received an equivalency degree (about 86 percent), but only about 30 percent have completed a bachelor's degree or higher.⁹³

Federal and state programs that serve youth in need of support and skill-upgrading are often under-funded and forced to turn away youth who are seeking opportunities to reconnect. Even when programs are fully funded, they alone are not enough. As experts Michael Wald and Tia Martinez note, “there needs to be a system that has responsibility for reaching out to those not making it, with adequate resources, in the same way that resources are provided for youth attending college.”⁹⁴

Communities and governments should make a comprehensive commitment to ensure that all youth are able to find a pathway toward a productive and prosperous life so that fewer young people become disconnected and so that those who do are presented with many “on-ramps” to work, education, and civic participation.⁹⁵ This includes help-

ing the most disadvantaged youth—those who leave foster care,⁹⁶ teen parents, and youth released from incarceration.

Currently, when a young person leaves high school without a diploma, no public authority is responsible for helping him or her succeed. It is often difficult to find out what services are available or how to access them. Communities need to be responsible for ensuring that the necessary services exist and that they are accessible to all youth.

Communities should establish coordinated, comprehensive strategies to reach and meet the needs of all youth, with restored funding for Youth Opportunity Grants to help the most disadvantaged communities. An effective local strategy will bring together key education, business, workforce development, labor, national service, criminal justice, child welfare, community- and faith-based resources. It should launch collaborations, connect systems, leverage resources, and advocate for good public policies and adequate resources. Such an effort should

“There needs to be a system that has responsibility for reaching out to those not making it, with adequate resources, in the same way that resources are provided for youth attending college.”

—Michael Wald and Tia Martinez

include youth in policy-making and develop comprehensive strategies for reaching and engaging youth. Mayors and other community leaders should play an integral role, communicating the message of inclusion, assigning responsibilities, and coordinating the necessary resources.⁹⁷

All communities could benefit from support to bring together systems and resources, but distressed urban and rural communities need this support most. Thus, Congress should reestablish and expand the Youth Opportunity Grant program. YOGs were awarded to 36 high-poverty communities in 2000 to establish comprehensive approaches to help disadvantaged and disconnected youth. Communities receiving grants created Youth Opportunity Centers, hired case managers to track and support youth, and developed drop-out prevention and alternative education strategies. The approach was promising,⁹⁸ but Congress, at the urging of the Bush administration, eliminated program funding.

Communities should ensure that there are extensive career and technical education opportunities to help youth finish high school and progress to higher education and work. Schools and programs have successfully engaged struggling students by offering options that help students focus on and build skills toward their future careers.

These options should include: internships, work study, community service, and other experiential and practical education opportunities; career-oriented coursework through public schools focusing on career and technical education; programs such as Career Academies that offer smaller learning environments centered around a career theme; dual enrollment courses at community colleges to allow students to receive both college and high school credit for certain subjects; and summer employment opportunities.

The federal government should expand funding for effective and promising youth programs. Youth seeking a pathway to work or education should never face a waiting list for program services.

Federally-funded programs range from short-term part-time training and job placement services to full-time year-long comprehensive programs that allow youth to complete high school, learn job and leadership skills, serve their communities, and transition to employment or higher education. Established service- and workforce-development programs authorized in federal legislation—including Job Corps, AmeriCorps, Youth-Build, ChalleNGe, Service and Conservation Corps, and out-of-school programs funded under the Workforce Investment Act—serve only about 200,000 to 300,000 of the 1.7 million poor 16- to 24-year-olds who are out of school and out of work.

Youth services have suffered funding cuts even as programs receive many more applicants than they can accept.⁹⁹ There should be an immediate increase of resources with a goal of reaching 600,000 poor disadvantaged youth through these efforts.

The federal government should develop a new pathway for disconnected youth to participate in a comprehensive program of education, service, and workforce training in high-demand sectors. A key gap in services is that current comprehensive programs do not enable youth to train in the full range of high-demand industries and sectors.

We propose a new Upward Pathway program to offer low-income youth opportunities to participate in service and training in fields that are in high demand and provide a needed public service. Such fields could include health care, energy independence, environmental protection, homeland secu-

ity, affordable housing, and bridging the digital divide.

Youth participating in the Upward Pathway program should have opportunities for re-enrollment in secondary education (including GED and charter school options), and services such as case management and career counseling. There should be seamless transitions to the young person's next stage of employment or education, with follow-up support offered for up to two years after the young person completes the program.

7. Simplify and Expand Pell Grants and Make Higher Education Accessible for Residents of Each State

In recent decades, finding a good job with decent wages and benefits has become increasingly difficult for individuals without post-secondary education.¹⁰⁰ The poverty rate for adults 25 years of age and older who have only graduated high school is nearly triple that of college graduates (11 percent versus four percent).¹⁰¹ In the 21st century, post-secondary education must become a real option for everyone—from recent high school graduates to older workers who need to acquire new skills. To make post-secondary education affordable for current and future workers, the federal government, states, institutions, and employers must each take action.

Almost three-fourths of American undergraduates are now “nontraditional” in some way—with characteristics such as being financially independent, 25 years of age and older, part-time students, working full-time, or having children.¹⁰² Our workforce system provides training for only a small fraction of low-income workers.¹⁰³ Many low-income students and adults look to post-secondary institutions for training opportunities.

Lower-income individuals are far less likely to attend college than their higher-income peers, even among those of comparable abilities. The enrollment gap has increased over time.¹⁰⁴ Among those who enter college, low-income students are less likely to complete a degree.¹⁰⁵

Inadequate academic preparation and financial constraints are barriers to success in post-secondary education¹⁰⁶ as are poor information about student aid, demanding work schedules, family responsibilities, and other personal challenges. Yet as the Advisory Committee on Student Financial Assistance has noted, “unless we begin to work together to lower the financial barriers to college enrollment and persistence... much of our considerable efforts to improve academic preparation, broaden early intervention, maximize outreach and information, and simplify student aid forms and processes will be frustrated.”¹⁰⁷

Inadequate academic preparation and financial constraints are barriers to success in post-secondary education.

College prices have soared over the past two decades, and financial aid has not kept pace.¹⁰⁸ Moreover, increases in educational loans, tax credits, and merit-based aid—all of which disproportionately benefit middle-income families—have outpaced increases in need-based grant aid,¹⁰⁹ even though evidence suggests that grant aid is most effective at influencing enrollment decisions, particularly for low-income students.¹¹⁰

Congress should:

- **Simplify the Pell Grant application process and make aid predictable.** Many students will not begin on a path to college unless they are certain they can afford it.¹¹⁴ Applying for aid needs to be simpler and notification of aid needs to happen earlier.¹¹⁵ There are a number of proposals for simplifying the process

TABLE 2: COLLEGE-GOING RATES BY INCOME AND ACHIEVEMENT TEST QUARTILES¹¹¹

ACHIEVEMENT TEST QUARTILES	LOW-INCOME	HIGH-INCOME
First (low)	36%	77%
Second	50%	85%
Third	63%	90%
Fourth (high)	78%	97%

Source: Thomas Smith, *The Condition of Education 1997*, National Center for Education Statistics (1997) p. 64. Percentages are of students who attended a post-secondary institution within two years following scheduled high school graduation. Students in this sample were seniors in high school in 1992.

Low-income students are much less likely to go on to college compared to high-income students of the same ability.

Pell Grants are the largest single source of federal need-based grant assistance for students, including those in career and technical education.¹¹² Because Pell Grants can cover the full range of costs students face, they are useful for both young students straight from high school as well as older workers with family responsibilities.

Pell Grants once covered up to 60 percent of the costs of attending a four-year public institution, but in 2005 they covered only up to 33 percent of these costs.¹¹³ Moreover, in important ways, Pell rules are unresponsive to the needs of adult and nontraditional students, and the Pell application process is needlessly complex.

and making aid predictable.¹¹⁶ Simplification should be a priority for Congress.

- **Increase the Pell Grant so that the maximum grant reaches and is maintained at 70 percent of the average costs of attending a four-year public institution.** Doing so will mean that more of a student’s costs can be covered, and will particularly help students for whom the main cost burden is not tuition, but living expenses. Many organizations and committees, including Secretary of Education Margaret Spellings’ Commission on Higher Education, have supported significantly expanding Pell Grants.¹¹⁷
- **Reduce Pell’s “work penalty.”** Pell recipients work an average of 28 hours per week.¹¹⁸ Pell’s Income Protection

Allowance is intended to allow working students to keep enough of their earnings to cover basic living expenses, but it is unrealistically low.¹¹⁹ Congress should either substantially increase the Income Protection Allowance or provide for assessing income on a progressive scale so that low-income individuals can cover the costs of basic necessities before they are required to pay for post-secondary education.

■ **Increase incentives for institutions to raise student completion rates.**

Counseling services, when combined with financial incentives, can improve student academic performance and persistence.¹²⁰ Unfortunately, the average caseload for community college counselors is nearly 1,000 students.¹²¹ Post-secondary institutions should expand programs and services—including

Native Americans in Poverty

American Indians and Alaskan Natives face poverty and unemployment rates that are nearly double those of the rest of the nation. Native Americans are diverse, but as a group they are strikingly worse off than the U.S. population as a whole.⁵¹ Compared with the overall population, Native Americans are:

- 2.5 times more likely to live without telephone service and in overcrowded housing
- 60 percent more likely to die due to homicide and suicide
- nearly two times more likely to die from diabetes, and six times more likely to die from tuberculosis
- 50 percent more likely to have ended schooling with less than a high school diploma and half as likely to have a college or graduate degree.⁵²

The relationships between state and federal governments and sovereign tribal governments often require unique policy responses. Through the doctrine of federal trust responsibility as well as numerous laws and treaties, the federal government has committed itself to special obligations to provide health care, K-12 education, housing, and other services in exchange for “vast tracts

of land that [now] make up this nation’s land base.”⁵³

Thus, the federal government holds primary legal responsibility for the distressing quality of the health care made available to Native Americans. The U.S. Commission on Civil Rights has declared that “the living conditions in Native communities remain unmatched by any other group in the United States, characterized by persistent poverty, poor health, and substandard housing and education.”⁵⁴ The Commission has also found that the federal government owes billions of dollars to Native Americans and their tribes.⁵⁵

While the Task Force believes that its recommendations will have a significant anti-poverty effect among Native Americans, this report does not make recommendations concerning the relationship between tribes and federal and state governments or other issues unique to poverty among Native Americans. Such issues will be addressed in forthcoming work by CAP. We do, however, emphasize that anti-poverty legislation and implementation must be sensitive to the distinctive situation of Native Americans and respectful of tribal sovereignty. At the same time, fulfillment of current federal moral, legal, and financial obligations to Native Americans could have a substantial anti-poverty effect.

academic, personal, and career counseling—that will help students stay in college and complete a certificate or degree. The federal government should reward institutions that are successful at increasing the completion rates of low-income students. CAP Senior Fellow Gene Sperling has proposed a College Completion Bonus Fund to reward institutions that increase the number of graduating students.¹²² A number of states have employed different models to reward institutions for increasing completion.¹²³

Even with a Pell grant expansion, many low-income students and workers will still be forced to rely on loans. While a full examination of the student loan program is beyond the scope of this report, Congress should explore greater use of income-contingent loan repayment plans so that adults never need to pay above a certain share of their income in loan repayments.¹²⁴

States should develop strategies to make post-secondary education affordable for all residents. Over the last several years, momentum has been building to guarantee access to at least two years of post-secondary education.¹²⁵ States can combine federal and state aid, K-12 policies, and policies at community colleges and other post-secondary institutions to develop a system that ensures access for all state residents.

Many states have already begun to implement policies aimed at increasing access to higher education and skill building for traditional students and working adults:

- In Indiana’s Twenty-first Century Scholars Program, low-income 7th- and 8th-graders who enroll and fulfill a pledge to graduate from high school and not

become involved with alcohol, drugs, or criminal activity are guaranteed the cost of four years of college tuition at any participating public college or university in Indiana. If the student attends a private institution in Indiana, the state will award an amount comparable to that of a public institution.¹²⁶

- A number of states have guaranteed in-state tuition to students who graduate high school with a minimum grade-point average. Georgia, for example, guarantees tuition and fees at any public college for students who graduate with a 3.0 GPA or better.
- Washington’s Opportunity Grants allow community colleges to implement pilot programs designed to help low-income adults build skills that will allow them to obtain a living wage job in a growing industry. The grants for low-income students who enroll in these programs cover tuition and offer assistance to help meet the costs of books, transportation, and child care.¹²⁷
- Lifelong Learning Accounts are employer-matched educational savings accounts that can help workers save for and engage in post-secondary education. LiLAs have been implemented in a number of states and localities. For example, Maine has partnered with the Council for Adult and Experiential Learning to offer these accounts statewide. Legislation has been introduced in Congress for a federal LiLA demonstration program.¹²⁸ Gene Sperling has proposed that workers should be eligible for a 50 percent tax credit for all qualified education and training up to \$15,000 per decade, replacing the current lifetime learning tax.¹²⁹

8. Help Former Prisoners Find Stable Employment and Reintegrate Into Their Communities

The United States has the highest incarceration rate in the world.¹³⁰ By the end of 2005, nearly 2.2 million people were imprisoned in federal or state prisons or local jails—a historical high.¹³¹ Many of the Task Force’s recommendations are designed to reduce the number of people who enter the criminal justice system. At the same time, our nation could reduce crime, strengthen communities, and reduce poverty through a dedicated effort to help exiting prisoners find employment and reintegrate into their communities.

Over 600,000 prisoners are released to their communities each year.¹³² Most are low-income minority men,¹³³ and most return to high-poverty communities.¹³⁴

They reenter their communities with significant barriers to successful returns. The National Center for Education Statistics has reported that 70 percent of state and federal prison inmates are functionally illiterate or read below a fourth grade level.¹³⁵ About half meet professionally-established criteria for substance dependence or abuse.¹³⁶ More than half suffer from mental illness.¹³⁷ Up to 25 percent have serious health problems such as AIDS, Hepatitis C, or tuberculosis.¹³⁸

Lower levels of employment before incarceration and lack of job experience and skills acquisition during incarceration compound their employment barriers.¹³⁹

They often wind up unemployed or in jobs that are low-wage, unstable, or outside the formal economy.¹⁴⁰ Two-thirds of released prisoners are rearrested within three years and about half return to prison.¹⁴¹

Helping current and former prisoners successfully rejoin their communities calls for a fundamental shift in mission and philoso-

phy for many state criminal justice agencies. It calls for new and focused efforts to help former prisoners in the state’s workforce system, and the involvement of health, mental health, substance abuse, child support, human services, and adult and post-secondary education agencies. The business community, faith-based groups, and a range of non-profits have key roles to play. Their reentry-related activities should be encouraged.

States should develop comprehensive reentry services. State efforts should be guided by state-level Offices of Reentry Policy and state reentry commissions. Commissions should be charged with developing policies and programming across agencies aimed at reintegrating former prisoners into their communities with full-time, consistent employment¹⁴² and developing a continuum of services and supports from prison to community.¹⁴³

Mayors and county executives should review their jurisdiction’s reentry services and policies, and communities with a significant reentering population should establish local reentry councils. Local reentry councils can complement the work of state commissions with an emphasis on local service delivery.¹⁴⁴ Councils should bring together community and neighborhood groups, as well as local police, to create individualized plans for each returning prisoner to minimize recidivism risks and bolster community security.¹⁴⁵

The federal government should expand its reentry efforts, with an emphasis on research, technical assistance, and interagency coordination. A helpful first step would be passing the Second Chance Act, which would provide demonstration and mentoring grants to states and nonprofits, create a National Offender Reentry Resource Center, establish a

federal interagency reentry Task Force, and enhance many current reentry programs.¹⁴⁶

Key issues for reentry efforts include:

■ **Improving job preparation for those in prison.** Models of effective approaches to job preparation exist.¹⁴⁷ Recidivism rates of participants in job preparation programs are between 20 percent and 60 percent lower than those of non-participants.¹⁴⁸ Yet only about one-quarter of prisoners participate in vocational programs, and far fewer participate in college courses.¹⁴⁹ Education and training should be

coordinated with efforts such as job placement services and physical and mental health services. Drug treatment and other health programs can reduce recidivism and help former prisoners work steadily, especially when treatment continues after release.¹⁵⁰

■ **Establishing effective reentry services and pre- and post-release planning.** States should require the development of reentry plans for all exiting prisoners.¹⁵¹ Such plans can: provide job development and placement services; offer assistance with public benefits applications; help exiting prisoners



Indiana Department of Corrections inmates prepare for reentry in a computer skills class. (AP)

find safe, affordable, and stable housing; and document participation in relevant rehabilitation programs.¹⁵² Research suggests that case managers can help former prisoners find employment¹⁵³ and that training and preparation begun in prison should continue through release.¹⁵⁴ Transitional jobs for former prisoners offer a promising approach.

- **Addressing employment discrimination and legal bars.** Employers are often reluctant to hire former prisoners, and laws bar former prisoners from being employed in a range of occupations.¹⁵⁵ States should consider recommendations such as that of the National Employment Law Project, which proposes time-limiting disqualifications due to criminal history and providing workers the “opportunity to establish that they have been rehabilitated and do not pose a safety or security threat.”¹⁵⁶
- **Removing bars on receipt of public benefits.** Since the 1996 federal welfare law, each state must bar many former prisoners from receiving Temporary Assistance for Needy Families and Food Stamp benefits unless the state passes legislation to opt out.¹⁵⁷ Being denied public benefits may make it more difficult for former prisoners to successfully care for their families, pay rent, purchase sufficient food, and move forward with their lives. States should pass legislation opting out of this federal ban, and the federal government should repeal the restrictive provision.
- **Strengthening connections to families.** More than 1.5 million children have a parent in state or federal prison.¹⁵⁸ Maintaining family connections has been shown to reduce recidivism rates.¹⁵⁹ Developing reasonable child support policies is important. In many states, child

support obligations accumulate during incarceration. The Re-Entry Policy Council finds that incarcerated parents owe on an average of more than \$20,000 in child support debt when they are released.¹⁶⁰ States should explore policies that would suspend or modify child support payments during incarceration.¹⁶¹

- **Restoring voting rights.** Voting restrictions on current and former prisoners have resulted in the disenfranchisement of 5.3 million Americans.¹⁶² To reintegrate former prisoners into society, states should adopt policies to eliminate voting restrictions on former prisoners after they have completed their sentences.

9. Ensure Equity for Low-Wage Workers in the Unemployment Insurance System

The federal-state Unemployment Insurance system was created in 1935 to provide short-term financial assistance to workers who involuntarily lose their jobs and to inject a counter-cyclical boost into the economy during downturns. UI plays a significant role in reducing poverty for workers who receive benefits. The Congressional Budget Office has found the monthly poverty rate for families of long-term UI recipients was 23 percent but would have been 50 percent if the families had not been receiving UI benefits.¹⁶³

Unfortunately, only about 35 percent of the unemployed, and a substantially smaller share of unemployed low-wage workers, receive UI benefits.¹⁶⁴ A principal reason is that the UI system has not been modernized to fit the changing nature of the workforce and unemployment.

Since UI's creation, the workforce has undergone dramatic changes, including the entrance of large numbers of women,

the increase of part-time, temporary and other “alternative” work arrangements, the decline in the share of unionized workers, and trade liberalization and technological advances that have fueled the elimination of many manufacturing jobs and increased service sector employment.

Though the official unemployment rate has been relatively low in recent years, the average and median durations of unemployment spells have increased every decade since at least the 1960s.¹⁶⁵ The percentage of UI recipients who “exhaust” their benefits (remain jobless even after receiving benefits for the maximum period, usually 26 weeks) has also increased in the last few decades.¹⁶⁶

A number of states have improved their programs in recent years. But, UI retains a number of anachronistic eligibility requirements, and low-wage workers are disproportionately hurt by these requirements.¹⁶⁷ For example:

- In determining if a worker has a sufficient work history to qualify for benefits, about half of states do not consider earnings from the most recent completed quarter of work. This practice dates
- All but two states require a worker to demonstrate a specified level of earnings in order to qualify for benefits. In contrast, Washington and Oregon let applicants demonstrate their connection to the workforce by showing the number of hours worked during a base period.¹⁷⁰ Basing eligibility on hours worked rather than earnings is a better measure of workforce connection and fairer to low-wage workers.
- Although the workforce now includes 26 million working mothers,¹⁷¹ most states still deny benefits to workers who must leave their jobs for family circumstances such as caring for a sick child,

back to the time before technology made work history data readily available. The practice has no good justification in the 21st century. It disproportionately hurts lower-wage workers in less stable employment without long work histories.¹⁶⁸ Considering the most recent earnings can make an important difference. Research in Michigan found that 17 percent of low-wage workers collecting UI are eligible to do so because of the new, fairer way that the state calculates its base period.¹⁶⁹

Though the official unemployment rate has been relatively low in recent years, the average and median durations of unemployment spells have increased every decade since at least the 1960s.

Although the workforce includes 26 million working mothers, most states deny benefits to workers who must leave their jobs to care for a sick child, move to follow a spouse forced to relocate, or move to avoid domestic violence.

moving to follow a spouse forced to relocate, or moving to avoid domestic violence.¹⁷² Eligibility restrictions such as these help explain why women are 32 percent less likely than men to receive UI benefits.¹⁷³ Fifteen states now provide UI benefits to those who must leave work for family emergencies. California, for example, considers “circumstances relating to the health, care, or welfare of the claimant’s family” to be “good cause” for leaving work.¹⁷⁴

- Although one-sixth of workers are working part-time,¹⁷⁵ nearly half of the states categorically deny UI benefits to part-time workers.¹⁷⁶ As a result, less than a quarter of involuntarily unemployed low-wage, part-time workers collect UI benefits, while more than half of higher-wage, part-time workers do.¹⁷⁷ Twenty-three states now provide for eligibility for part-time laid off workers. New Mexico, for example, does not allow denial of benefits “solely for the reason that the

individual seeks, applies for or accepts only part-time work.”¹⁷⁸

- Spells of unemployment are a logical time for workers to upgrade skills. Federal law prohibits states from denying UI benefits to workers enrolled in approved training programs, but states are largely free to determine criteria for approval. Many states deny UI benefits to unemployed workers enrolled in English as a Second Language and Adult Basic Education courses.¹⁷⁹ Other states have not established criteria in state law¹⁸⁰ or do not inform workers that they may continue to receive benefits in some training programs.¹⁸¹ A handful of states extend UI beyond 26 weeks to allow completion of training programs, but most do not.¹⁸²

States should:

- **Let workers establish unemployment insurance eligibility by counting their most recent earn-**

ings or showing a sufficient number of weeks of work

- **Provide for eligibility for part-time workers and workers who have lost jobs due to compelling family circumstances**
- **Ensure that unemployment benefits can continue while workers are in appropriate education and training programs and extend benefits to allow for completing such programs.**

The federal government should provide incentives to encourage states to remove inappropriate restrictive requirements and strengthen linkages to services to help beneficiaries improve their reemployment prospects.

States should also reexamine benefit adequacy. An initial goal of UI was to replace, on average, half of lost wages. Only one state (Hawaii) actually accomplishes that goal.¹⁸³ Two-thirds of unemployed mothers report cutting spending on their children, food, and medical care when unemployed.¹⁸⁴ States should consider following the lead of the 13 states that already supplement UI with a dependents' allowance.

Ultimately, improving the UI system should include developing a more adequate and fair approach to funding. At the federal level and in 10 states, UI taxes are assessed against the first \$7,000 of employee wages, resulting in a system that is both regressive and inadequately funded.¹⁸⁵ With this structure, taxes are imposed disproportionately on the employment of low-wage workers, even though such workers are least likely to receive benefits. The federal taxable wage base should be substantially increased to apply to a larger share of earnings, and it should be indexed for inflation.¹⁸⁶

10. Modernize Means-Tested Benefits Programs to Develop a Coordinated System that Helps Workers and Families

One key part of an overall economic security framework is a “safety net” to help those with little or no other income. A well-functioning safety net should help people get into or return to work and ensure a decent level of living for those who cannot work or are temporarily between jobs. Ideally, working people should earn enough not to need safety net assistance, but as long as we fall short of that ideal safety net assistance should be readily available to those who are working but not earning enough to make ends meet.

A comprehensive restructuring of the nation's income support programs is beyond the scope of this report. Implementing our other recommendations would reduce the need for means-tested safety net programs. We focus here on a set of cross-cutting recommendations and several specific ones for the Food Stamp and TANF Programs.

Means-tested assistance programs should be accessible to those in need, promote and support work and the payment of child support, help individuals with disabilities fully participate in society, and support savings. To effectuate these principles:

- **Immigrants residing lawfully in the United States should be eligible for public assistance programs.** Until 1996, the guiding principle in public benefits eligibility was that immigrants lawfully residing in the United States would be generally treated in the same way as are citizens. That principle was breached in 1996, when Congress restricted access to health, food, and other public benefits for legal immigrants during their first five years in the United States or longer. The ostensible

justification was to discourage individuals from immigrating to the United States with expectations of relying on public benefits. The goals of immigration policy, however, should be advanced by determining and enforcing immigration rules, not by restricting access to important public benefits. The public benefits restrictions should be repealed.

- **Federal, state, and local governments should simplify and improve benefits access for working families.** Many benefits programs were designed when typical participants were not working. There is now more recognition that these programs play an important role as “work supports” for low-earning families. Yet program practices often fall short of reflecting this new role. Paperwork requirements are extensive and stigmatizing. Office hours do not reflect the schedules of working families. Slight fluctuations in income can result in ineligibility or overpayments. And a family participating in several programs may face high “marginal tax rates” as benefits are simultaneously reduced when earnings rise even modestly.¹⁸⁷ Governments at all levels should simplify initial and ongoing access; reduce unnecessary paperwork for working families; make full use of technology and online application and communication opportunities; and engage in cross-program reviews to reduce the often prohibitively high marginal tax rates faced by working families.
- **Benefits program rules should be structured to ensure that families always benefit when a parent pays child support.** Most poor children live in single-parent families; such families have poverty rates more than double those of married families.¹⁸⁸ Receiving child support lowers family poverty¹⁸⁹

and is an important part of a bond between parent and child. The TANF program, however, requires families to “assign” their child support rights to the state so that the family may receive little or no benefit from child support while receiving public assistance. No program should require an assignment of child support, and any child support received should always go to the family. Further, in all means-tested benefits programs child support should be treated in the same manner that earnings are treated. Typically, programs “disregard” some portion of earnings, for example by excluding one-third or one-half of earnings from being counted as income, to ensure that families always benefit from working.

- **Public benefits and workforce programs should be fully responsive to the needs and circumstances of individuals with disabilities.** Employment rates for individuals with disabilities are about half as high as for those without disabilities (37.5 percent vs. 74.4 percent in 2005). Poverty rates for individuals with disabilities are nearly twice as high as for individuals without disabilities (21.1 percent vs. 11.3 percent in 2005).¹⁹⁰ Our nation’s commitment, reflected in the Americans with Disabilities Act and Section 504 of the Rehabilitation Act, is to end discrimination and promote equal opportunity and full access for individuals with disabilities. Benefits and workforce programs should ensure access, make reasonable accommodations, and promote employment opportunities for individuals with disabilities. These programs, however, often fail to reach eligible persons, individualize services, or adequately screen and identify individuals with disabilities. Program rules also sometimes affirmatively discourage or penalize efforts to enter and sustain

employment.¹⁹¹ Federal and state governments should systematically: reexamine eligibility and benefit rules; intake, assessment, and screening procedures; and program services to better adapt their operations to the goals and requirements of the ADA and Section 504 of the Rehabilitation Act.

- **With few exceptions, means-tested programs should eliminate asset limits.** Most asset limits in means-tested programs are counterproductive. Asset limits may deny short-term assistance to a worker because he or she owns a car—even though having a car may be essential to finding and keeping a job. Asset limits may force workers to divest themselves of savings for retirement, homeownership, or education in order to get short-term urgent assistance. Asset limits can also result in families losing assistance because children with after-school jobs are saving for their futures.¹⁹² A review of economic litera-

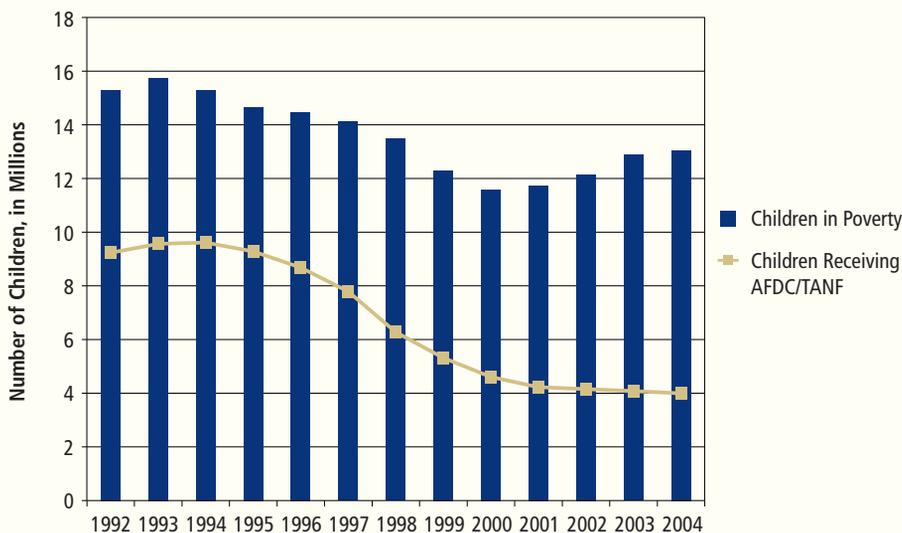
ture concluded that, “The asset tests represent perhaps the most substantial financial disincentive for many families to save in retirement accounts.”¹⁹³ There may be limited circumstances in which asset limits play a legitimate policy role, for example in the context of long-term care, where it is reasonable for rules to address the extent to which a beneficiary should reduce or exhaust his or her own resources before receiving public assistance. Apart from such specialized circumstances, asset limits in means-tested programs should be eliminated.

The Food Stamp Program should be strengthened to improve benefits, eligibility and access. The Food Stamp Program has made an enormous difference in reducing hunger in America.¹⁹⁴ There are three key ways to improve it:

- Food Stamp benefit levels should be raised and based on a food plan that better reflects the costs of a basic but ad-

FIGURE 8: SHARE OF POOR CHILDREN RECEIVING ASSISTANCE HAS STEADILY DECLINED

Children in Poverty and Children Receiving AFDC/TANF, 1992–2004



Source: U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement and U.S. Department of Health and Human Services, Indicators of Welfare Dependence, Annual Report to Congress, 2006.

equate diet. The current average benefit is only slightly above one dollar per person per meal, a level too low to obtain a minimally adequate diet. The Bureau of Labor Standards' Lower Standard Budget, a more reasonable measure of what low-income families need, is more than 20 percent higher than the current maximum food stamp allotment.

- The Food Stamp Program should end a set of unjustified restrictions. It should end restrictions on legal immigrants and repeal its asset limit. In addition, since 1996, with limited exceptions childless adults are only eligible for Food Stamps for three months in a three-year period unless they are working at least half time or in a work program—even if no work program is available to them. This restriction should also be repealed.
- Only about 60 percent of eligible households participate in the program. Expanding outreach, promoting improved and modernized eligibility practices, adopting local practices that are conducive to enrolling low-income working families, eliminating unnecessary paperwork, and other strategies all could have significant impacts.

The Temporary Assistance for Needy Families Program should be reformed to reach eligible families and help them enter sustainable employment.

TANF is often credited with having played a large role in the growth of employment among single-parent families in the 1990s. TANF did play an important role, as did: the near-full-employment economy; the expansion of the Earned Income Tax Credit, child care, and health care for low-income families; stronger child support enforcement; and minimum wage increases in 1996 and 1997. Yet even in TANF's early years, families get-

ting jobs often remained very poor and the share of eligible poor families receiving help from TANF was steadily falling.

In this decade, TANF caseloads have continued to fall despite the fact that child poverty has grown and employment has declined among single-parent families. Now, only about one-third of poor children and less than half of eligible families receive TANF assistance. Benefits for a family of three in the median state are less than \$400 per month.

Moreover, restrictive rules enacted by Congress in 2006 discourage states from providing education, training, and individualized services to families, while creating new incentives to cut the number of families receiving assistance.

TANF should assist needy families who are out of work or in low-wage jobs and should help them enter sustainable employment at family-supporting wages. It is failing to accomplish these goals. Federal law should be revised to:

- **Allow states to provide education, training, and individualized services without restrictions, and end incentives to simply cut caseloads.**
- **Let each state be accountable for performance goals, such as job entries, employment retention, and earnings, instead of the current participation rate rules.**
- **Encourage, not discourage, participation among eligible families.**¹⁹⁵

Even under current federal law, there is much that states could do better. States should raise benefit levels that currently leave many families in extreme poverty, en-

sure that their policies and procedures do not bar needy families from assistance, improve their employment services and supports for families with multiple barriers, and more effectively target their block grant dollars.

11. Reduce the High Costs of Being Poor and Increase Access to Financial Services

Despite having less income, lower-income families often pay more than middle- and high-income families for the same consumer products.¹⁹⁶ Lower-income families pay more for basic financial services such as cashing checks, tax preparation, mortgages, wiring money, and short- and long-term loans. They also pay more for day-to-day goods and necessities including cars, furniture, and even groceries.

Only part of these higher prices reflects higher default rates and greater costs of doing business in low-income neighborhoods. These higher prices can add up to thousands of unnecessarily spent dollars for a family and billions of dollars for all lower-income families. This is money families could put toward savings, higher education, buying a home, or building other assets.

Our nation is now witnessing the catastrophic consequences of one way in which the poor have paid more as thousands of low-income households face losing their homes in the emerging mortgage foreclosure crisis. Though subprime loans account

for about 13 percent of all mortgages, they account for 60 percent of new foreclosure filings.¹⁹⁷ The Center for Responsible Lending estimates that one in five loans originated in the subprime market in the past two years will end in foreclosure—with 2.2 million individuals and families losing their homes and as much as \$160 billion, primarily in home equity.¹⁹⁸

Low- and moderate-income borrowers have been far more likely to receive high cost loans than upper-income borrowers.¹⁹⁹ And, there has been troubling evidence of steering lenders to subprime loans: a recent Federal Reserve Board study found that African-American and Hispanic borrowers were far more likely than whites to receive higher-priced loans, with only about one-fifth of the difference explainable by characteristics of the borrowers.²⁰⁰ Low-income households have been victimized by questionable, and in many cases, blatantly fraudulent practices.

Looking across a broad range of services and products, Matt Fellowes of the Brookings Institution has concluded that three factors together help to account for why lower-income families pay higher prices: a lack of low-cost alternatives in their communities, unscrupulous and predatory practices by businesses, and consumers' lack of financial information.²⁰¹ A comprehensive strategy would address all three problems. While industry spokespeople sometimes treat “better financial information” as the principal

Lower-income families often pay more than middle- and high-income families for the same products.

missing piece, the centerpiece of any strategy must involve addressing predatory practices and expanding financial services and product availability in low-income communities.

The federal government and state governments should address the foreclosure crisis and curb unscrupulous and predatory business practices.

While some states have mortgage assistance programs that help borrowers access counseling, legal services, and in some cases short-term grants or subsidized loans, many states do not. The federal government should make resources available to help and encourage the creation of such programs where they do not exist, such that a borrower in trouble in any state has access to needed help.

In addition, federal legislation should prohibit lenders from making loans for which the prospective borrower lacks any reasonable capacity to repay and should bar the deceptive practices that have helped lead to the current crisis.

The problems of predatory financial practices extend far beyond those in the mortgage industry. High-cost financial service providers often locate near military bases and in lower-income neighborhoods and communities of color.²⁰² As a result, low-income consumers are either presented with no alternative or fall victim to abusive practices such as excessive fees, high interest rates, or lack of disclosure about the full cost and terms of service. Immigrants wishing to send remittances to family members can face extraordinarily high costs to do so.

While many of these financial services providers are regulated at the state level if at all, federal regulators and legislators

must begin to play a crucial role in combating abusive practices. The federal regulating agencies of jurisdiction, including the Federal Depository Insurance Corporation and the Federal Reserve Bank, must work together to implement the best regulatory guidelines and step up enforcement. In doing so, federal enforcement should not preempt state laws where they are stronger, more effective, and more responsive to the needs of the region.

A number of states have already taken steps to curb unscrupulous practices. In 2004, Georgia passed one of the strictest anti-payday lending laws in the country, capping the annual interest rate for short-term loans sold in the state at 16 percent, eliminating businesses' ability to avoid the cap by renting the charter or name of out-of-state banks with less stringent laws, and providing the state with the authority to seek stringent civil penalties for violations.²⁰³ Other cities and states have also acted to curtail abusive practices, including capping interest rates and implementing bans. These are important steps and states should continue these efforts.

Abusive practices can only be curtailed if states and the federal government work together to create and enforce regulations. Some industries, such as payday lending, have managed to avoid state regulations, and the combination of both state and federal legislation and regulation is crucial.

The federal government should establish a \$50 million Financial Fairness Innovation Fund to support state efforts to broaden access to mainstream goods and services in predominantly low-income communities.

In the long run, the key to efforts to ensure access to needed services at reasonable prices must turn on bringing effective com-

petition and services into low-income communities. Many states and cities are already examining issues such as how to expand access to grocery stores and other businesses, eliminate unnecessary taxes and increase access to banks and credit unions.²⁰⁴ With federal encouragement, state and local efforts could significantly expand.

We propose that the federal government establish a dedicated fund to support and encourage such efforts. Grant applications could be submitted by states, localities, and public-private partnerships.

The Innovation Fund could support the development of individual initiatives by states to address specific challenges as well as the formation of state commissions to address the full range of reasons that the poor pay more. State commissions could recommend policies and practices to curb high costs borne by low-income borrowers, promote good consumer alternatives, and identify innovative ways to enhance families' assets and savings.

The Innovation Fund would be particularly focused on helping states broaden access



Many low-income homeowners now at risk of foreclosure. (AP)

to mainstream credit, services, and products. Often mainstream businesses overlook or shy away from tapping into the buying power of low-income families largely due to the misperception that lower-income families have no money to save or spend.²⁰⁵

The void created by mainstream institutions' hesitancy has spurred the growth of alternative financial service providers such as check cashers and payday lenders instead of banks and convenience stores instead of grocery stores. A top priority for states should be to implement incentive-based approaches to encourage mainstream businesses to move into underserved communities.

For example, New York uses the state government's own depository reserve to encourage banks to open branches in communities with few banking services. Local governments encourage banks to open branches in these areas by agreeing to deposit state reserves into banks that do so. With the state's reserves safeguarding against potential financial losses, banks are less hesitant to provide consumers with needed alternatives to high-cost loans and mortgage lenders.²⁰⁶

The Innovation Fund would also help states expand financial education and counseling. Many lower-income families are at a disadvantage when navigating the financial services industry because they face complex financial products without ready access to financial education and advice.

Financial education and counseling cannot serve as an alternative to regulatory changes or legal remedies as the solution to all of the challenges faced by low-income consumers. However, the rise of a complex mortgage market in which borrowers are sometimes encouraged to take out loans they cannot afford or understand makes it

important to promote greater literacy and expand access to counseling.²⁰⁷

Kentucky, Alabama, and Illinois now require financial education classes in connection with high school graduation requirements.²⁰⁸ As part of the Homeowner's Emergency Assistance Program in Pennsylvania, the state housing finance agency contracts with a counseling service to help homeowners facing foreclosure work through their finances and determine whether a payment plan is possible.²⁰⁹ Lenders are required to enclose contact information about approved counseling agencies with every residential foreclosure notice. If the borrower goes to the counseling agency, the counselor will notify the lender and the state housing finance agency and the foreclosure clock stops for 30 days.

12. Expand and Simplify the Saver's Credit to Encourage Savings for Purposes Such as Education, Homeownership, and Retirement

For many families, saving for purposes such as education, a home, or a small business is key to making economic progress. Low-income workers, however, are disadvantaged in their efforts to save. They have less income to put into savings. They are less likely to have employer-sponsored retirement plans or education assistance.²¹⁰ And federal tax provisions that help higher-income families save provide little or no assistance to lower-income families.

The mortgage interest deduction, for example, provides significant tax-based assistance to homeowners with tax liabilities, but low-income households are less likely to own their own homes,²¹¹ while those who own their own homes often have income too low to benefit from the mortgage interest deduction. In 2005, taxpayers with incomes

under \$40,000 received 2.4 percent of the \$62 billion in benefits from the mortgage interest deduction.²¹²

Despite low incomes, less help from employers, and less help from government, about one-third (34 percent) of families in the bottom quintile did have some savings in 2004, according to the Survey of Consumer Finances. These levels of savings, however, are understandably quite low. The Brookings Institution reports that “Families with income below \$40,000 have low rates of coverage under employer-

low-income workers and families. Moreover, its complicated structure makes it difficult to understand and makes it hard for potential beneficiaries to calculate its benefits. In addition, it is principally designed to address retirement savings, although in limited circumstances funds can be withdrawn for other purposes.

The Retirement Security Project reports that in 2005 about 59 million tax filers had incomes low enough to qualify for the maximum 50 percent credit rate (incomes below \$30,000 for joint filers or \$15,000 for single

TABLE 3: CURRENT STRUCTURE OF THE SAVER’S CREDIT

GROSS INCOME FOR JOINT FILERS	GROSS INCOME FOR SINGLES	CREDIT RATE	TAX CREDIT FOR \$2,000 CONTRIBUTION
0–\$30,000	0–\$15,000	50%	\$1,000
\$30,001–\$32,500	\$15,001–\$16,250	20%	\$400
\$32,501–\$50,000	\$16,251–\$25,000	10%	\$200

provided pensions, are extremely unlikely to contribute to Individual Retirement Accounts (IRAs), and in 2001 had median net financial wealth outside of retirement accounts of just \$2,200.²¹³

The federal tax code should be amended to encourage and promote savings among low-income households. This could be done by simplifying and expanding the federal Saver’s Credit. The Saver’s Credit is a relatively new tax provision. It offers a tax credit which is, in essence, a government match for voluntary contributions to retirement savings accounts such as 401(k) plans and Individual Retirement Accounts.

But because the credit is not refundable—that is, it cannot exceed a filer’s income tax liability—it currently provides little help to

filers). Most of these filers, however, have limited or no tax liability, so they receive little or no benefit from the nonrefundable credit. In fact, only about one-seventh of this group would receive any benefit by contributing to a retirement plan, and only about one in a thousand would receive the maximum credit (\$1,000) by making the maximum contribution (\$2,000).²¹⁴

The need for refundability and simplification of the Saver’s Credit is widely acknowledged.²¹⁵ We recommend three changes to expand and simplify the Saver’s Credit, and make it an effective means to encourage and support savings by low-income households:

- **The Credit should be made refundable.** If the credit were made refundable, low-income families with little or

no tax liability would be able to fully benefit from the credit. The Retirement Security Project has estimated that doing so would cost in the range of \$2 billion to \$3 billion a year, with 38 percent of the benefits going to households with incomes below \$20,000 and 84 percent of the benefits going to households with incomes below \$40,000.

- **The matching structure should be simplified and liberalized.** We agree with the Retirement Security Project's recommendation that there should be a single 50 percent credit rate for all filers, with the maximum contribution eligible for the credit gradually reduced as income increases. The first \$2,000 in savings should be eligible for the 50 percent credit for joint filers with incomes up to \$30,000. Preferably, the match should be provided directly rather than in the form of a tax credit, as the Retirement Security Project has recommended. Research shows that the incentives of a matched saving structure encourage greater savings behavior when direct match is provided and people understand the benefits of contributing.²¹⁶ Income limits

should be indexed to inflation so that both low- and middle-income families can benefit from the credit in the future.

- **The Credit should be broadened to apply to other appropriate savings vehicles intended to foster asset accumulation, with consideration given to including individual development accounts, children's saving accounts, and college savings plans.**

In recent years, there have been a number of state and local efforts to promote Individual Development Accounts as savings vehicles for homeownership, education and small business development for low-income families. There is increasing interest in the creation of children's accounts as vehicles to help families save for the future needs of their children. Efforts are also underway in a set of states to encourage states to match low-income family contributions to college savings plans for post-secondary education. These allowable uses of the Saver's Credit should be broadened to make it a vehicle that could also support a broader range of savings objectives for low-income families.

The federal tax code should be amended to encourage and promote savings among low-income households. This could be done by simplifying and expanding the federal Saver's Credit.

IMPACTS, COSTS, AND NEXT STEPS FOR THE NATION

After reading our recommendations, readers may have three questions: How much would this accomplish? What would it cost? What should we do next? In this section, we address each question.

One set of recommendations—increasing the minimum wage, expanding the Earned Income Tax Credit and Child Tax Credit, and increasing child care assistance—would cut poverty by more than one quarter. Along with the rest of the recommendations, we can cut poverty in half.

The Center for American Progress contracted with the Urban Institute to model the combined impact of an increased minimum wage, expanded Earned Income Tax Credit and Child Tax Credit, and expanded child care assistance. The Urban Institute concluded that implementing these recommendations together would reduce poverty by 26 percent. This would bring us more than halfway toward our goal. This makes us confident that implementing all 12 recommendations would cut poverty in half.

To conduct its modeling, the Urban Institute used the Transfer Income Model. TRIM is a microsimulation model that uses survey data from the Census Bureau and detailed information about program rules to simulate tax, benefit, and health programs. It is often used to estimate impacts of proposed policy changes and is widely respected.²¹⁷

Ideally, we would want to model all of our recommendations together, but this was not possible. For example, we believe that enacting the Employee Free Choice Act would lead to an increased share of workers being unionized, with positive earnings and in-

come effects. Yet, there was no ready way to model the effect of such a recommendation.

Similarly, we believe our proposals concerning youth, former prisoners and higher education would increase employment and earnings. While these and additional recommendations might have important impacts, there is no straightforward way to quantify their anti-poverty effects.

Instead, we focused on proposals that could be more readily modeled, either because the calculation was largely mechanical (if complex) or because a body of research suggested a reasonable range of likely employment effects, or both. For example, when the EITC and CTC are expanded, one can calculate how much family income would increase. And a substantial body of research estimates the employment effects of minimum wage increases, EITC expansions, and expanding child care subsidy assistance.

Urban Institute researchers could draw on that research to make reasonable assumptions about likely employment impacts. So we asked the Urban Institute to model the effects of:

- Raising the minimum wage to 50 percent of the average nonsupervisory wage
- Increasing the EITC for childless workers, extending it to 18- to 24-year-olds who are not full-time students, excluding half of the earnings of the lower-earning spouse if it would result in a larger EITC, and increasing the EITC for families with three or more children
- Making the Child Tax Credit fully refundable
- Making available child care subsidy assistance to all working families with incomes below 200 percent of the federal poverty

line, and making the Child and Dependent Care Tax Credit fully refundable.

The modeled recommendations correspond to three of our twelve recommendations: Task Force Recommendations 1, 2, and 4.

In modeling the effects, we needed to decide whether to use the official poverty measure or an alternative one. We concluded that because the problems with the current measure are so significant, it was important to use a better yardstick to evaluate the impact of our proposals. We opted to follow a set of recommendations from the National Academy of Sciences' *Measuring Poverty: A New Approach* report. The NAS report, which reflects the recommendations of a group of experts on poverty and its measurement, offers balanced and thoughtful recommendations.

Specifically, the Urban Institute began by calculating income and poverty rates under the official poverty measures, and then, consistent with NAS recommendations:

- subtracted tax liabilities and added tax credits, such as the EITC, to income
- included Food Stamp benefits and housing subsidies as income

- subtracted out-of-pocket child care costs from income.

The National Academy of Sciences also recommended adjustments that would increase the poverty thresholds. Had we used these thresholds, along with the above adjustments to income, the result would have been an increase in the number of individuals counted as poor. We thought it was important to begin with the same number of poor individuals as occurs under the official measures. So, the Urban Institute adjusted the NAS thresholds to the extent needed so that the number of individuals in poverty under our measure was the same as the number in poverty under the official measure.

In its calculations, the Urban Institute used 2003 data and estimated the effects if our provisions had been fully phased in at that point.²¹⁸

The Urban Institute found that:

- **Taken together, our minimum wage, EITC, Child Tax Credit, and child care recommendations would reduce poverty by 26 percent.** In relation to the most recent poverty numbers (37 million in 2005) this would translate to over nine million

The Urban Institute found that our minimum wage, Earned Income Tax Credit, Child Tax Credit, and child care recommendations would reduce poverty by 26 percent.

fewer people in poverty and a national poverty rate of 9.1 percent, the lowest recorded in U.S. history.²¹⁹

- **All components contribute to the poverty reduction.** Each component of the strategy contributes to the overall poverty reduction. The Urban Institute calculated the effect of each policy alone and then the four policies together. Alone, the poverty reduction effects were 3.3 million for the child tax credit (2.1 million children and 1.1 million parents), 2.7 million for the child care expansion, 2.2 million for the EITC expansion, and 1.7 million for the minimum wage expansion.²²⁰ And, the new minimum wage would provide higher wages to about 4.6 million poor workers and nearly nine million other low-income workers. These policies interact in important ways. For example, a higher minimum wage affects the amount of the EITC. Child care availability raises employment. Newly employed families benefit from the minimum wage and the EITC.
- **The racial poverty gap would be narrowed.** All races would see poverty reductions, with a significant decline in the gap between minorities and whites. White poverty would fall from 8.7 percent to 7 percent, African American poverty would fall from 21.4 percent to 15.6 percent, Hispanic poverty would fall from 21.4 percent to 12.9 percent, and poverty for all others would fall from 12.7 percent to 10.3 percent.
- **Child poverty would be cut dramatically.** The package would have its most dramatic effect on child poverty, which would fall by 41 percent. Poverty for non-elderly adults would fall by

23 percent, and poverty for the elderly would fall by 2.6 percent.

- **Extreme poverty would fall.** The number of people in extreme poverty would fall by over two million people. Under the Urban Institute methodology, 3.3 percent of Americans begin in extreme poverty, a level lower than the official measure, principally because food stamps and housing subsidies are counted as income. Even starting at this lower level, our policies would reduce extreme poverty by 25 percent, to 2.5 percent.
- **Most households raised above poverty would be thousands of dollars above the poverty line.** Of those no longer in poverty, less than one-fifth (17 percent) would have incomes between 100 percent to 150 percent of the poverty line. Nearly half (49 percent) would have incomes between 150 percent and 200 percent of poverty, and one-third (35 percent) would have incomes above 200 percent of poverty.
- **The poverty gap would fall by over 20 percent.** The poverty gap is the amount of money by which all poor individuals as a group fall below the poverty line. Taken together, the modeled proposals would reduce the poverty gap by 20.5 percent, with the gap falling from \$95.1 billion to \$75.6 billion in 2003 dollars.
- **The package would help millions of additional low- and moderate-income families.** Almost half of the income benefits of the package would help low- and moderate-income families with incomes above the poverty line, or who were raised above the line by the proposals.

The fact that three of our 12 recommendations would reduce poverty by more than one-quarter is powerful evidence that a 50 percent reduction can be reached. Other recommendations would contribute in important ways. For example, the Urban Institute also found that:

- Adding 2 million housing vouchers would reduce poverty by 1.8 million people
- Raising food stamp participation to 85 percent would reduce poverty by 1.4 million people
- Eliminating the legal immigrant restrictions on public benefits participation would reduce poverty by 170,000 people.

And, as previously noted, some of our recommendations that could not be modeled should have large additional impacts.

In short, the Urban Institute analysis makes clear that our goal is practical and feasible. The fundamental challenge is the need to reach agreement on moving forward.

The combined cost of our principal recommendations is likely in the range of \$90 billion a year, primarily in federal dollars. It is a significant

cost, but it is necessary for the health of our people and economy, and it could be readily funded through a fairer tax system.

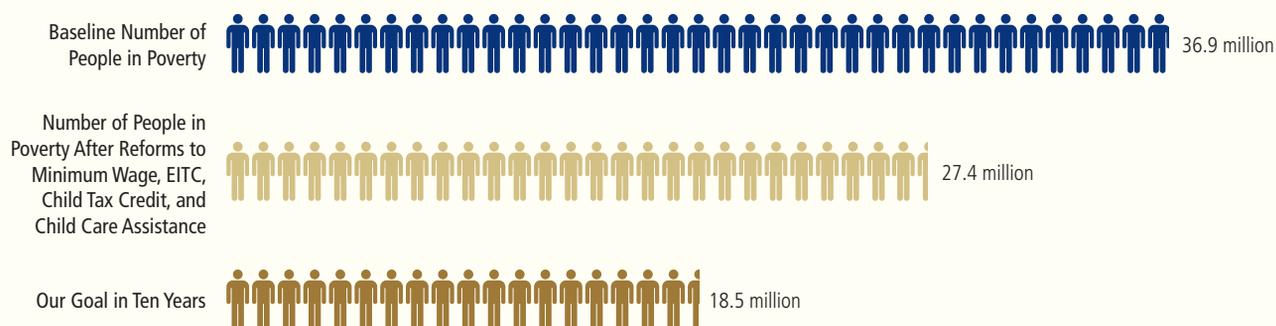
We advocate a stronger commitment to poverty reduction by government at all levels, and also by businesses, faith-based and other civic groups, and individuals. Thus, our focus is not just on federal spending. Moreover, much of our proposed spending is designed to raise employment among unemployed and underemployed groups, improve opportunity, expand access to education, and expand potentials for wealth accumulation and advancement.

When these strategies are successful, initial costs will be substantially offset by increased productivity and higher economic growth rates for the nation. Thus, it is important to consider impacts on the federal treasury but also to recognize that doing so does not adequately count the long-term benefits and savings to the nation.

We cannot provide a single dollar estimate for the sum of our recommendations because some recommendations offer general directions and approaches rather than make specific legislative proposals. Still, looking across the recommendations that can be

FIGURE 9: CUTTING POVERTY IN HALF IN TEN YEARS

Three of our recommendations will cut poverty by 26%. We believe our 12 recommendations together will cut poverty in half.



Source: Urban Institute calculations for the Center for American Progress.

quantified, and applying reasonable assumptions to others, our best estimate is that our entire package would have net costs in the range of \$90 billion in 2007 dollars.²²¹

These costs are significant, but they could readily be paid for. An additional \$90 billion in annual spending would represent about 0.8 percent of the nation's gross domestic product,²²² and a fraction of the money spent on tax changes that benefited primarily the wealthy in recent years:

- It is estimated that the current annual costs of the tax cuts enacted by Congress in 2001 and 2003 are in the range of \$400 billion a year. If the 2001 and 2003 cuts are extended, along with relief from the Alternative Minimum Tax, they are projected to have a direct cost of over \$3 trillion over the next 10 years.²²³ The top 1 percent of households (currently those with incomes over \$400,000) are projected to receive more than \$1 trillion in tax cuts over the next ten years if the tax cuts are extended and relief from the Alternative Minimum Tax is continued.²²⁴ This lost revenue alone is far greater than the cost of our recommendations.
- In 2008 alone, the value of the tax cuts to households with incomes exceeding \$500,000 a year is projected to be \$66 billion. The value of the cuts to households with incomes exceeding \$200,000 a year is projected to be \$100 billion.

It is clear that our recommendations could be fully paid for simply by bringing better balance to the federal tax system and recouping part of what has been lost by the excessive tax cuts for the wealthy of recent years.

It is time for a national commitment to move forward. In 2009, we will have a new president and a new Congress. Across the nation, there is a yearning for a shared national commitment to build a better, fairer, more prosperous country, with opportunity for all.

There can, and should, be active debate about the best ways to reach a national goal of cutting poverty in half. We hope and believe there is a potential for people of differing parties, ideologies, and stations in life to come together in shared commitment to the goal.

At the same time, we need not and should not wait for the federal government to act. In communities across the nation, policy-makers, business leaders, people of faith, and concerned citizens can come together to ask what they can do within their community and how they can join with others to seek a national commitment to cut poverty in half in 10 years. In doing so, they will set us on a course to end poverty in a generation.

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