

WORKING OUR WAY OUT OF POVERTY

A project of the Community Advocates Public Policy Institute

MARCH 2015

WHAT WOULD IT TAKE TO CUT POVERTY IN HALF IN THE UNITED STATES?

Work is the primary way out of poverty. This is at the core of our values as a nation, and a foundation of our economic system. Yet work alone is not always sufficient to lift people out of poverty.

Since 2008, the Community Advocates Public Policy Institute has tested and promoted policies that make jobs available, make work pay, and reduce obstacles to work. Based on this work-oriented approach, we developed a five-part policy package aimed at dramatically reducing poverty, and retained the independent Urban Institute to model its effects.

THE RESULT: *The Urban Institute concluded the policy package would cut America's poverty rate by 50%, lifting more than 22 million people out of poverty.*

This report makes the case for adopting the policy package – to stimulate growth, and to ensure that the greatest nation on Earth provides work opportunities and economic security for all.



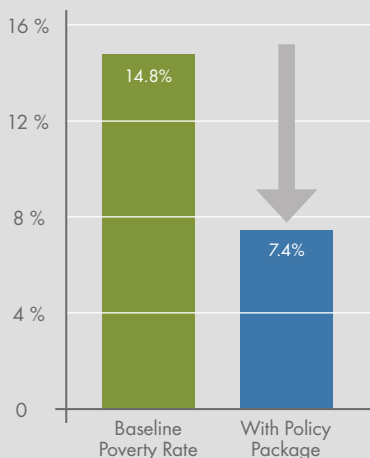
Photo by Matthew Johnson/Urban Institute

WORK IS THE ANSWER

The policy package needed to cut poverty in half must:

- ✓ Make Jobs Available
- ✓ Make Work Pay
- ✓ Reduce Obstacles to Work
- ✓ Help Seniors & Adults with Disabilities

Impact of Policy Package on U.S. Poverty



COMMUNITY ADVOCATES
Where Meeting Basic Needs Inspires Hope

Public Policy Institute

OUR GOAL: CUT POVERTY IN HALF

At the Community Advocates Public Policy Institute, our goal is to work our way out of high rates of poverty. Our specific goal is to drive down the U.S. poverty rate by more than half. In addition, *we aim to shift the debate about poverty to a serious, evidence-based discussion about what*

combination of policies will succeed best to greatly reduce poverty.

With the help of our advisors, we identified nearly 25 policies that might reduce poverty. We then winnowed that list to five specific and fairly simple policy changes, based on these three questions:

1. Were they based on work?
2. Was there evidence the policies, in combination, were likely to have a big impact?
3. Was each policy consistent with widely shared American values?

THE POVERTY PLATEAU

An historical perspective is helpful as a reminder that the United States has a record of enacting policies that dramatically reduced poverty. We did it before. We can do it again.

For several decades – from the end of the 1950s through the middle of the 1970s – poverty in the United States declined rapidly.

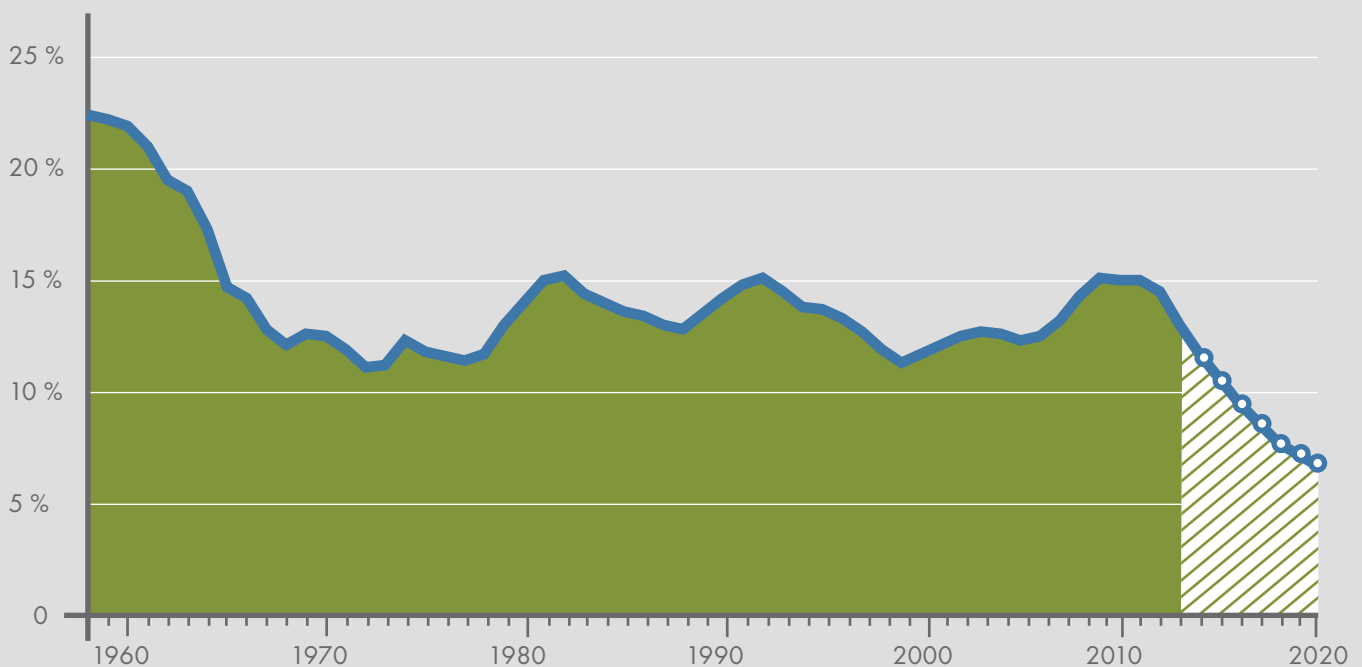
A booming economy, coupled with government programs like Social Security, greatly reduced the percentage of poor Americans from 25% to nearly 10%.

And then, in the mid 1970s, the U.S. poverty rate stopped falling. From 1973 until now, the proportion of Americans below the poverty line remained stuck

on a plateau between 10% and 15%. Though earlier government programs and policies had effectively lowered poverty, the new programs no longer seemed to make a dent in measured poverty.

Our project aims to show how we can get off the plateau, and return to the earlier pattern of steady, measurable reductions in poverty.

Percent of U.S. Population in Poverty:
1959-2013 and Estimated if Policy Package is Adopted



Source: Data from U.S. Census Bureau

THE THREE TYPES OF POVERTY

When considering poverty solutions, it is important to recognize that there are three major groups of poor adults.

THE UNEMPLOYED

Many poor adults who are unemployed still remain in the labor market. They are seeking work, but cannot find jobs. Today, there are roughly twice as many unemployed Americans as there are job openings in the country.

THE WORKING POOR


Despite being in the labor market, many workers earn wages too low to get out of poverty. Adults who work are one of the largest groups of those who are poor.

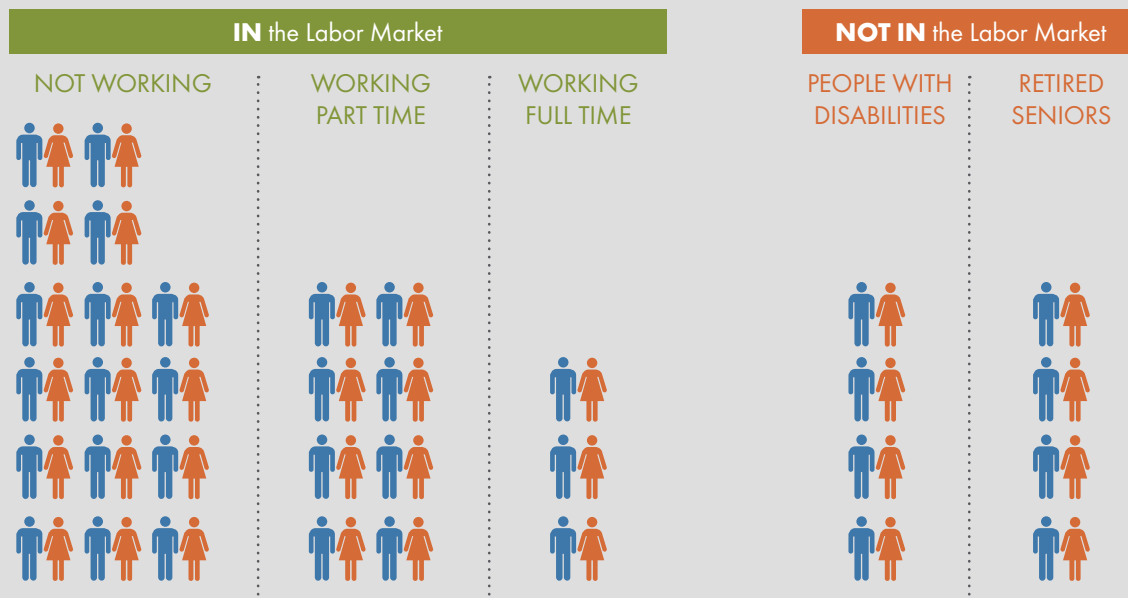
THOSE NOT IN THE LABOR MARKET

A significant number of poor adults no longer participate in the labor market. Many have reached age 65 or older. They are no longer expected to work, and most collect Social Security. Others have disabilities that prevent them from working in the regular economy. Because of their disabilities, some collect Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI). Yet many who depend on retirement or disability income remain in poverty.

TODAY, THERE ARE ROUGHLY TWICE AS MANY UNEMPLOYED AMERICANS AS THERE ARE JOB OPENINGS IN THE COUNTRY.

Structure of Adult Poverty in the U.S. *People living below the Federal Poverty Line 2013*

 = 1 Million Poor Adults



Source: Data from U.S. Census Bureau

SOLUTION: A POLICY PACKAGE

Because there are three major groups of poor adults, any effort to greatly reduce poverty requires a work-focused policy package . . . *a combination of several policy changes that act together to:*



MAKE JOBS AVAILABLE ...

by offering short-term Transitional Jobs to the unemployed and underemployed who seek work, but cannot immediately find jobs in the regular economy.

MAKE WORK PAY ...

both by raising the minimum wage and reforming the Earned Income Tax Credit (EITC) to provide a more effective earning supplement.

REDUCE OBSTACLES TO WORK ...

by providing affordable childcare to job-seekers and working parents of young children, so they can safely take care of their children while they work for a living.

HELP RETIRED SENIORS AND ADULTS WITH DISABILITIES ...

by raising above the poverty line the incomes of (1) seniors who worked for most of their lives, retired on Social Security, but remain poor, and (2) adults whose disabilities prevent them from working but whose benefits leave them poor.

A detailed description of the policy package can be found at: Lippold, K. (March 2015), "Reducing Poverty in the United States, Results of a Microsimulation Analysis of the Community Advocates Public Policy Institute Policy Package," Urban Institute, Washington, D.C. <http://www.urban.org/publications/2000151.html>

THAT FOCUSES ON WORK

THE POLICY PACKAGE – THE FIVE POLICIES WE TESTED

POLICY 1: Create a Transitional Jobs Program

For the unemployed or underemployed, offer the opportunity to work at a Transitional Job paying the minimum wage.

POLICY 2: Increase in the Minimum Wage

Raise the federal minimum wage to \$10.10 per hour and index it for inflation.

POLICY 3: Reform the EITC and Eliminate the Marriage Penalty

Reform the Earned Income Tax Credit (EITC) by providing a roughly \$4,000 increase in the maximum credit for both childless taxpayers and taxpayers with children. The policy also eliminates virtually all the EITC's marriage penalties by allowing both spouses in a married tax unit to claim the credit based on their individual earnings.

POLICY 4: Strengthen Child Care Funding

Expand funding for childcare to guarantee subsidies to individuals with incomes below 150% of the official poverty guidelines.

POLICY 5: Enact a Secure Retirement and Disability Income Tax Credit

Increase support for individuals receiving Social Security and disability income in the form of a tax credit that raises recipients' incomes to 150% of the official poverty guidelines.

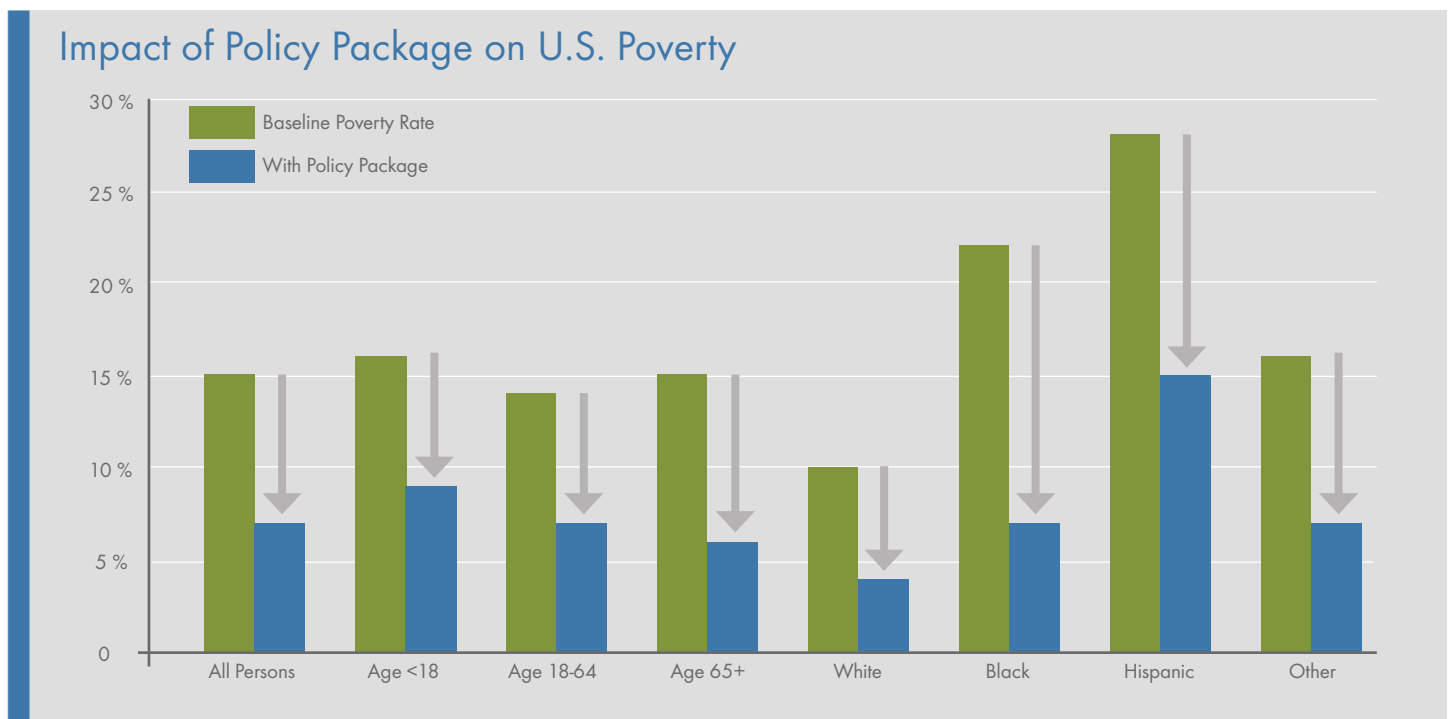


WE KNOW WHAT TO DO

Solid evidence now shows us how to solve one of America's worst problems, enabling us to end the devastating levels of poverty that disproportionately hurt African-Americans and Hispanics.

The Urban Institute analysis confirms that implementing the five policy changes developed by Community Advocates Public Policy Institute will dramatically reduce poverty, lowering the number of poor by at least 50% and driving down the overall poverty rate to nearly 7%.

The challenge is no longer to figure out what policies will succeed. The challenge is to reach agreement on enacting the policies – Making Jobs Available, Making Work Pay, Reducing Obstacles to Work, and Helping Seniors and Adults with Disabilities – that the evidence confirms will work together to dramatically cut poverty.



SUPPLEMENTAL POVERTY MEASURE ALLOWS FOR GREATER ACCURACY

The Urban Institute's analysis measured poverty using a more realistic poverty measure called the Supplemental Poverty Measure (SPM). Unlike the official poverty measure, the SPM takes into account all of an individual's or family's resources, including non-cash resources like the EITC and Food Stamps. It also uses poverty lines (or "thresholds") that vary by housing and health care costs. The Urban Institute version of the SPM is based on the recommendations of the National Academy of Sciences, and is similar to the U.S. Census Bureau's approach.

The full set of findings by the Urban Institute can be found at: Lippold, K. (March 2015), "Reducing Poverty in the United States, Results of a Microsimulation Analysis of the Community Advocates Public Policy Institute Policy Package," Urban Institute, Washington, D.C. <http://www.urban.org/publications/2000151.html>

WORKING OUR WAY OUT OF POVERTY WILL:



Lower Welfare Costs

The Urban Institute analysis estimates that cutting U.S. poverty by 50% would reduce annual spending for:

- Food Stamps by \$8.2 billion (15%)
- TANF by \$1.5 billion (17%)
- SSI disability benefits by \$434 million (9%)
- Housing subsidies by \$2.4 billion (7%)



Provide Additional Benefits: Less Crime, Improved Health, Better Education

Although the Urban Institute was not able to quantify these benefits, other research suggests there would also be reductions in crime, improvements in health, and gains in education.



Involve A Small Share of GDP, Income, or Spending

The net cost of working our way out of poverty, initially estimated by the Urban Institute at \$332 billion, represents a small share of annual U.S. GDP, national income, and government spending.

Cost of Policy Package Relative to GDP, National Income and Government Spending



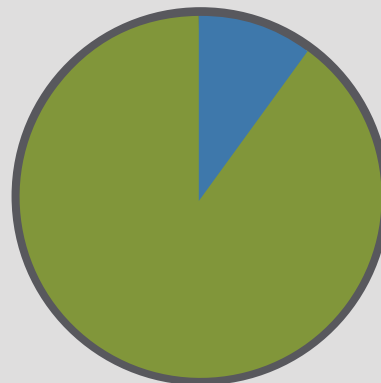
2% of U.S. GDP



3% of National Income



6% of All Government Spending

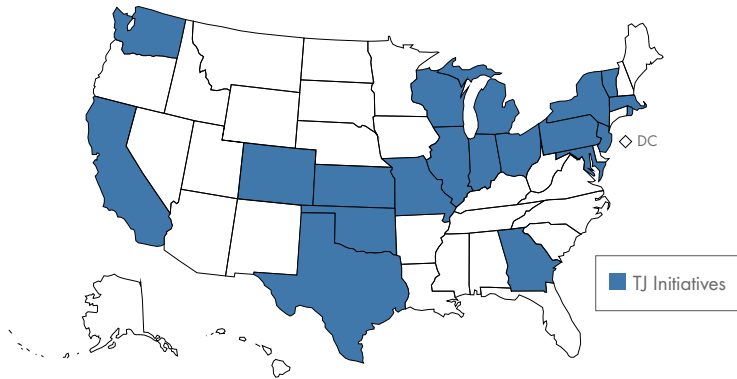


9% of Federal Spending

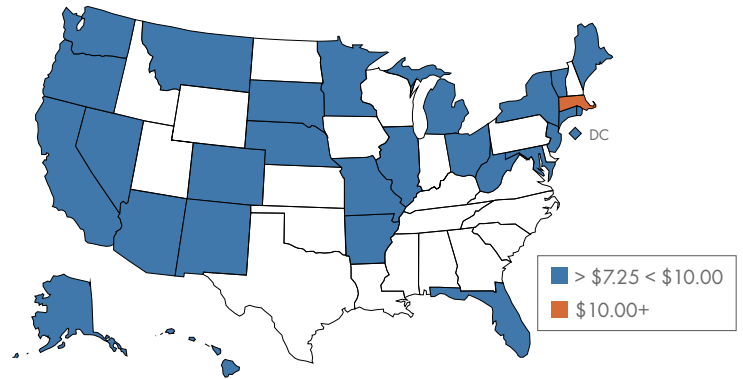
PROGRESS ALREADY MADE – AND THE CHALLENGE AHEAD

The policies proposed here are well within the realm of the possible. The policy package would best be implemented as federal legislation, but many states have begun to enact pieces in incremental steps. The following maps show progress as of December of 2014. We are off to a good start. The challenge is to finish the job.

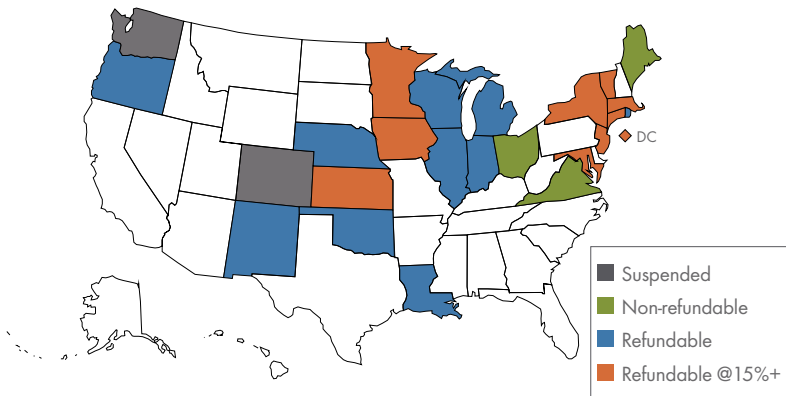
State Support of Transitional Jobs



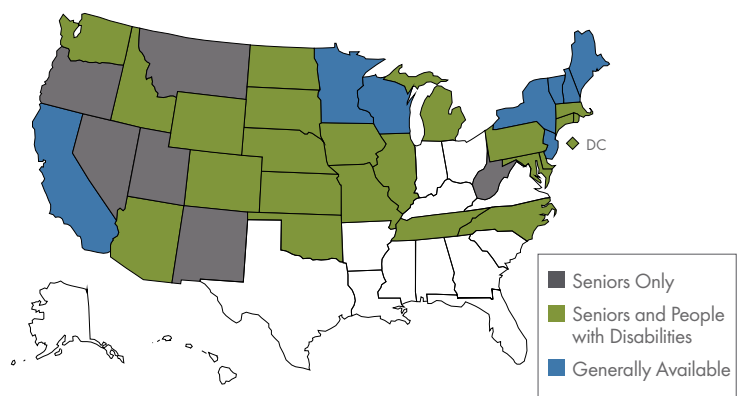
State Minimum Wages Greater than Federal



State Earned Income Tax Credits



State Tax Relief for Seniors and People with Disabilities



Over 20 states also provide child tax credits and childcare tax credits.

Maps by HoltSolutions

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FOR MORE INFORMATION, AND TO FIND WAYS TO WORK TOGETHER, PLEASE CONTACT US AT:

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