Securing State Commitments to Family Economic Prosperity

Annette Case

One in twelve working families lives below the official poverty line. Millions more struggle to make ends meet, stretching or not able to make house payments and pay for health care and child care. Income inequality is at an all time high, wages are not keeping pace with inflation, unemployment is ticking upward, and prices, for food and gas, are increasing. People working hard to get ahead instead continue to fall short.

The inability of substantial portions of our population to grab at the American Dream even though they are working results in a significant economic cost to our society. Children growing up in poverty tend to experience poor health and lower productivity, at an estimated cost to the economy of $500 billion per year. This figure does not account for other social costs that accrue when individuals cannot fully participate in their community. Together, society can do better to tap the talents of everyone, strengthening our communities and increasing our productivity and economic security.

Some states are taking action to strengthen opportunities for family economic prosperity and security. In recent years serious commitments to improve family well-being and fight family poverty have emerged at state and national levels. National organizations and a number of states have embraced the goal to end poverty or cut child poverty in half in ten years or are developing plans to do so. If successful, these efforts will restore decent standards of living, promote economic mobility, and reduce poverty.

The United Kingdom led the way on this issue with an initiative to end child poverty by 2020. The child poverty pledge prompted policies that substantially decreased the number of children in poverty by 600,000 between 1998 and 2005. Importantly, such ventures reinforce the notion that poverty is not intractable. Rather, they illustrate that government, citizens, and businesses working together can improve well-being and promote economic mobility.

The Working Poor Families Project (WPFP) supports efforts of nonprofits to strengthen state policies and improve the well-being of low income working families. The Project encourages its partners to promote state efforts that address family poverty. WPFP also generates a wide variety of data on the conditions of working poor families at both the national and state level. This policy brief examines recent state poverty initiatives and explores the tools and strategies states are pursuing to improve economic security, including establishing measurable targets for poverty reduction.

For more information: http://www.workingpoorfamilies.org
The Importance of Focusing on Economic Prosperity and Security

The majority of American families are experiencing a weakened state of economic security. Recent WPFP data show that the ratio of income difference between the top quintile of working families to the bottom quintile was 9.2 percent in 2006, up from 8.4 percent in 2002. The very existence of sharp and growing income inequality creates greater economic and social instability and a very uneven playing field of opportunity. Among other factors, high income inequality results in part from policy and in part from a changing economy. Tax cuts that benefit high income earners more than middle and low income earners cement an unequal income distribution; between the years 2003-2005, after-tax income growth was highest for those in the top 1 percent household income level as these households saw the greatest decline in effective tax rates.7

The cost of health care has increased above the rate of inflation and wage growth.8 By 2006, employer-provided insurance had declined 4.5 percent compared to 2000, leaving 2.3 million fewer Americans without employer-based insurance.9 With no public solutions to offset the loss of coverage, the number of uninsured children and adults has increased, leaving working poor families and hospitals to shoulder the full cost of necessary care. Though the loss of employer-based coverage is disproportionately felt in the lower income quintiles, all income quintiles experienced a loss of coverage during this period.10

Changes in the economy and labor market have significant impacts on family prosperity and well-being. Workers now require greater levels of education and technical skills to earn more than minimum wage. Very high levels of education are necessary to afford workers the opportunity to compete in the global economy and secure more substantial income gains. Real hourly wages in 2005 for college level workers were $24.67 compared to $14.14 for high school educated workers. Presently, however, nearly half of adults in the country have no post-secondary education.11 On the flip side, low wage jobs, including essential jobs in the economy such as child care, home care, restaurant and hotel workers, require improved job quality. This means increased minimum or living wages, paid time off, greater and more affordable health care options and a number of other actions.

Both national and state level organizations and policymakers recognize the need to pursue strategies that enable working families to increase incomes and access to basic needs in order to maintain living standards and promote economic mobility and ultimately economic growth. National efforts to improve economic security have advanced policy prescriptions that help families keep more of their earnings and support access to education that opens the door to higher wage jobs. These policy solutions include expanding the federal Earned Income Tax Credit (EITC), improving access to affordable child care and health care, and increasing access to the post-secondary system for youth and adults by expanding such programs as the Pell student financial aid system.

National groups are also working to set measurable targets to insure policies and policymakers stay on track to close gaps between earnings and family economic security. For example, the Center for American Progress and Catholic Charities USA promote a national goal to cut poverty in half in ten years or by 2020, respectively, along with a set of policy solutions that will achieve this goal.12 Inspired by these efforts, the House of Representatives passed a resolution on January 22, 2008, endorsing a national goal to cut poverty in half in ten years or by 2020, respectively, along with a set of policy solutions that will achieve this goal.13 Inspired by these efforts, the House of Representatives passed a resolution on January 22, 2008, endorsing a national goal to cut poverty in half in ten years or by 2020, respectively, along with a set of policy solutions that will achieve this goal.12

State Approaches to Addressing Poverty and Improving Well-Being

A small number of states have recently started initiatives to address family poverty. The most common focus and goal is to cut child poverty in half in ten years.14 No matter the specific focus, these efforts
have recognized the need to consider a wide variety of policy ideas and to develop ways to measure and assess progress toward poverty reduction.

**Policy Strategies**

State commitments to improve well-being must deal with a vast and complex number of elements necessarily involved in achieving a decent standard of living and promoting economic mobility. State policymakers often work with national and state experts and reach out to the community through public forums to learn about the causes and effects of poverty in their area. These efforts demonstrate how different issues interact to create poverty and show the necessity of moving multiple issues forward at once to improve economic prosperity.

Even as states choose to address child poverty, they recognize improving child well-being involves a number of factors impacting a family’s ability to achieve economic security; after all, children are poor as a result of low family and parental earnings. For example, in Vermont, these factors include: workforce training and education, including higher education; affordable housing; affordable health care and access, including mental health services and family planning; treatment programs and services; and other programs serving children such as early care and education programs as well as after-school and mentoring programs. Many of the executive orders and implementing legislation recognize a similar set of issues (*please see the Resources section for examples of executive orders and legislation*).

National and state commitments to address poverty share similar policy solutions. A number of strategies seek to raise the income, assets, and well-being of families. Two key strategies are 1) promoting greater access to education from early learning through post-secondary education, and 2) increasing supports that ease the high cost of living and simultaneously improve job quality.

Education is an important factor in economic well-being. Quality pre-kindergarten education is an essential factor for children to gain the education and skills that can lead to higher earnings later in life and thus enhance their chances of moving out of poverty. Research shows investment in pre-kindergarten pays for itself. A recent study estimated a ratio of annual benefits to costs of 12:1 for a pre-kindergarten program targeted to the poorest 25 percent of 3 and 4 year olds. A universal pre-kindergarten shows even higher returns, with every child benefiting from this type of program.

Working poor families are often headed by individuals with a low level of education -- 33 percent of low income and 40 percent of poor working families are headed by at least one parent without a high school diploma or its equivalent. Increased education and training improves access to higher wage jobs for low wage earning adults. In 2005 dollars, adults with a high school diploma earned an average hourly wage of $14.14 over $10.53 for those without. Earnings continue to increase with higher levels of education.

The high cost of living also significantly impacts poor families. The majority of low income and poor working families pay more than a third of the household budget for housing, and 39 percent and 49 percent of low income and poor working families respectively have at least one parent without health insurance. Housing, health care, and child care are some of the most expensive essential needs for working families. The number of families able to benefit from public supports far exceeds their availability. In addition, the current lack of coordination among these types of public supports means as family earnings increase, access to supports that meet basic needs may decrease, erasing any improvement in well-being through gains in earnings. By investing in and better coordinating public supports, families can continue to improve their ability to make ends meet as income increases.

Recommendations from the final report of the Alabama House Task Force on Poverty provide an example of the diverse array of policy approaches that might be considered in any comprehensive effort to reduce poverty and improve well-being. They are:

- Eliminate sales tax on groceries.
- Increase participation in the EITC.
- Develop a dedicated funding stream for public transportation.
- Enable and fund individual development
accounts.
• Require workforce development programs to re-
cruit low income workers.
• Provide additional funds to Head Start.
• Create an Alabama Affordable Housing Trust
Fund.
• Regulate the interest rate of payday and title-lend-
ing companies.\textsuperscript{21}
• Raise the income tax threshold to the poverty
level.\textsuperscript{22}

**Measuring Progress**

The Federal Poverty Level (FPL) is the official
national measure for counting the number of people
living in poverty in the United States and plays a
role in directing resources and determining eligibility
for public support programs. Wide consensus exists
about the limitations of this measure. At the core of
this problem, the poverty threshold is disconnected
from any reasonable basic standard of living and does
not reflect the impact of certain policy solutions, such
as expanded public resources provided to low income
families.

These factors are important for states interested in
setting goals to reduce poverty. States may achieve
important and significant policy changes but may be
challenged to show the impact on poverty rates and
thus find it difficult to sustain momentum and public
support. Other types of measures, such as a relative
income measure and those targeted to conditions of
health and education, might better demonstrate policy
progress. States have the autonomy to choose the
goals as well as the measures and definitions that will
best address state needs. Alternative measures may
more accurately capture the share of families strug-
gling to make ends meet and maintain public sup-
port by more aptly drawing a direct line from policy
change to reductions in poverty.

Four states, Vermont, Connecticut, Minnesota, and
Delaware, have developed or are developing a type of
poverty reduction goal. Three of these states adopted
the specific goal to cut child poverty in half in ten
years.\textsuperscript{23}

Connecticut, the state with the most experience
working toward a poverty reduction goal, established
two benchmarks in which to gauge progress. The first
is reducing the number of children living below 100
percent of the federal poverty threshold, and the sec-
ond is reducing the number of children living below
200 percent of the federal poverty threshold. Re-
cently, Connecticut was advised by a panel of experts
to adopt a third benchmark, one that was developed in
1995 by the National Academy of Sciences and that
uses a different set of factors to measure family costs
and income.\textsuperscript{24}

Vermont adopted a target to cut child poverty in
half in ten years. Vermont is in the process of defining
poverty for the purposes of measuring progress
and achieving the goal. Delaware and Minnesota are
in the information and planning stages of developing
their ten-year plans and have only begun to outline
how the target will be defined and the vision for
achieving the goal. One consideration is the approach
taken by the United Kingdom, which used a relative
measure, 60 percent of median income, to define and
track reductions in poverty.

**The Connecticut Experience**

Policymakers centered on family well-being no-
ticed that an increase in state wealth was not accom-
panied by a decrease in child poverty. In 2004 Con-
necticut set a goal to cut child poverty in half by 2014
and created the Child Poverty Council to achieve the
goal. In 2005 the Council presented its ten-year plan
which included 67 policy recommendations. The rec-
ommendations acknowledge that child well-being is
rooted in family well-being, \textit{i.e.}, the employment and
earnings potential of adults as well as access to basic
needs such as health care directly relate to the success
of children.

Prior to this, the state had created the Child Pre-
vention Council aimed at prevention services to
achieve child well-being. The Child Prevention
Council held a seat on the Poverty Council to inform
child poverty reduction efforts. Citing the effective-
ness of prevention services, such as early learning and
quality care, in reducing costs to society, a bill was
passed and signed in 2006 to increase state spend-
ing focused on prevention services from 2.8 percent
to 10 percent over crisis management.\textsuperscript{25} State agen-
cies developed a number of prevention benchmarks
Connecticut also adopted three target populations around which to organize and focus the work: birth to five, late teen and young adult, and working poor families. In addition, the Council developed an accountability model that aligns outcomes with these policy recommendations. Finally, the Council will also be creating an economic model to assess which policy recommendations will best reduce poverty by 25-50 percent.

27 The process to consider and develop these policy recommendations is underway. As Connecticut continues the work to achieve its ten-year goal, time will tell what recommendations are implemented through state policies and investments, and to what extent they result in measurable reductions of children living in poverty.

CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

In securing state commitments to family prosperity a number of early observations emerge. These observations are based on a review of various initiatives and conversations with those working on state and national efforts. WPFP state groups and others interested in fostering and supporting state anti-poverty initiatives should consider each of these points. They also should think of these points as they follow state efforts to insure that promises and goals are acted upon.

IMPROVING ECONOMIC SECURITY REQUIRES A SHARPER FOCUS ON ACHIEVING DECENT STANDARDS OF LIVING OVER REDUCING ECONOMIC DEPRIVATION.

Reducing poverty is not the same outcome as improving well-being. Once families move above the Federal Poverty Level they are no longer officially poor, which ironically suggests they are able to adequately provide for their family. This is far from reality as the official poverty threshold is far short of any reasonable standard of economic self-sufficiency. Likewise, as families move above the poverty line they may lose important family supports such as health care and child care; their earnings, however, are still insufficient to afford such supports in the private
market. Earning more should always improve family well-being. Focusing on achieving economic self-sufficiency will direct public debate and policy making toward this outcome rather than lowering official poverty numbers.

**Identifying and Highlighting the Economic Conditions of Working Families Can Elevate the Need for a Renewed State Commitment to Economic Prosperity and Security.**

Objective and data-based analysis can provide the evidence that captures the attention of the media and public. With more than one out of four U.S. working families low income and struggling to make ends meet, policymakers can find it in their interest to respond to both general and specific concerns about these conditions. A particular focus on the conditions of working families helps defuse the argument that families and people are poor because they do not work.

**Setting Goals Can be an Important Tool to Secure a Commitment to Policy Changes and Improvements.**

Adopting a goal to improve family well-being or reduce poverty affords a number of opportunities for states. First, setting a specific goal publicly signals that improving economic security is a priority of the state. States and community organizations also can use goals to organize and focus policy solutions as well as establish accountability for implementing them. Goals also provide an opportunity for a fresh start and open dialogue on a well-tred issue.

Considerations in setting a goal include:

- **Work to build political will** – Goals are only meaningful if strong leadership compels policy change and achieves progress toward the goal. The diligent involvement of both the community and policymakers is necessary to keep the process active, credible, and effective. These efforts should include a well-rounded cross section of community members and government representatives, including those from faith-based, business, academia, and philanthropic interests, as well as service providers.
- **Choose and define the goal(s) that describe a vision which engages the public and which tracks progress within the timeframe and beyond** - These efforts create opportunity and space for a new public dialogue on decent standards of living, improving well-being and promoting economic mobility. The goals and measures can help tell this story. The public should be able to draw a direct line from policy changes and new investments to progress on the established goals. However, certain strategies and worthwhile investments may be outside the scope of a specific time frame, particularly if the primary standard for change is a reduction in poverty rates. For example, a focus on early childhood learning is most likely to improve family well-being for the next generation, not current families. States want to be sure that there is a strong relationship between proposed policy actions and expected outcomes.
- **Ensure a voice for the community, particularly low income individuals** – Target those actions that help families make ends meet and create an opportunity to move outside the traditional legislative process. Task force members interacting with the community will both learn more about the reality of families struggling to make ends meet in their state and also create a buzz in the community about this work. The more public the effort, the more people may engage in the process.
- **Work for an open approach to understanding well-being and promoting progress** – Working to really understand the circumstances of how people make ends meet seems to be an important hallmark of these efforts. Recognizing there is more to learn about the face of poverty will move the process beyond the ideology box and encourage bold and more effective policy solutions.

**Achieving Policy Action Requires a Focused Approach.**

The complicated and numerous factors that contribute to economic well-being can overwhelm planning processes and policy development. A focused
approach can help the work stay on track. States can consider focusing on three to five significant areas identified as having the greatest impact in their state or those policies proven to substantially improve well-being. Working for a few substantive new policies and investments may provide for a more successful and coherent strategy rather than numerous, small, technical program fixes.

**Real action requires real investments.**

The focus on issues of poverty and the promises for improvement is a welcome change. Words need to translate into action. States are encouraged to make real investments in specific policy actions that are critical to achieving economic prosperity and security. Community stakeholders and others can work with these public commitments to hold state officials accountable for acting on their promises.

**Improving family well-being includes education and income support policies.**

State and national efforts share common ground on the type of policies proven to help more families achieve a basic standard of living and increase income. Two areas of policy are increasing education and training to access higher wage jobs and public supports that enhance job quality. The details of policy options are too many to describe here. Links to reports and policy models are presented in the Resources Section below.

Specific state policies include:
- Investments in post-secondary financial aid.
- Investments in post-secondary education geared toward working adults.
- Expanding investments in customized worker training targeted to low wage workers.
- Investments in early learning programs for 3 and 4 year olds and subsidized child care programs.
- A state-refundable Earned Income Tax Credit.
- Expanding public health systems.
- Expanding investments in affordable housing.

Overall, the state initiatives to reduce poverty can help create a common understanding and language about the face of poverty and the factors that contribute to or detract from economic security. This allows a new conversation with the public and establishes bridges across sectors and ideologies. Ultimately, if these efforts prove successful, that is, government invests, enacts significant policy solutions, and documents an improvement in family well-being – the results can help restore trust in collective action and public solutions.

**Working Poor Families Project Recommendations:**

**State groups should consider the following points when supporting state anti-poverty initiatives:**

1) Improving economic security requires a sharper focus on achieving decent standards of living over reducing economic deprivation.

2) Identifying and highlighting the economic conditions of working families can elevate the need for a renewed state commitment to economic prosperity and security.

3) Setting goals can be an important tool to secure a commitment to policy changes and improvements.

4) Achieving policy action requires a focused approach.

5) Real action requires real investments.

6) Improving family well-being includes education and income support policies.

For questions about this policy brief or the Working Poor Families Project contact:
Brandon Roberts
robert3@starpower.net
(301) 657-1480
RESOURCES

The following links provide national and state data and information about targeting efforts, policy strategies, and alternative measures to improve economic security

TARGET INFORMATION AND MODEL LEGISLATION/EXECUTIVE ORDERS

Spotlight on Poverty and Opportunity Initiative

Center for American Progress

Catholic Charities USA
http://povertyinamerica.typepad.com/campaign/

POLICY STRATEGIES

Working Poor Families Project
http://www.workingpoorfamilies.org

Center for Law and Social Policy
http://www.clasp.org/publications.php?id=2

The Workforce Alliance
http://www.workforcealliance.org

Bridging the Gaps
http://www.bridgingthegaps.org

Economic Policy Institute
http://www.sharedprosperity.org/reports.html
http://www.earncentral.org
http://www.epi.org

National Center for Children in Poverty
http://www.NCCP.org

Center for Economic and Policy Research
http://www.cepr.net

ALTERNATIVE MEASURES

• The 1995 National Academy of Sciences proposed measure. This measure accounts for geographic variations in the cost of living and includes other forms of income and public support such as food stamps and the EITC, as well as work expenses such as child care and taxes.

• A percent of median income, such as 60 percent of Area or State Median income, which will move up or down according to changes in overall living standards and will also account for geographic variations in the cost of living.

• Tracking the share of the population living below a self-sufficient family budget. Family budgets that account for geographic variations in cost of living and include the components of a basic standard of living. A number of these exist though they use different methodologies. A few of these can be found at:
  ◦ Economic Policy Institute: http://www.epi.org/content.cfm/issueguides_poverty_poverty
  ◦ JOBS NOW Coalition: http://www.jobsnowcoalition.org/index.asp?SEC={F690DE79-0D59-40E0-B3C6-275C7989B18A}&Type=COSTLIVING

• Define economic security through indicators in addition to income. Multiple measures better represent the whole picture of well-being. Measures could include an income standard, a health care standard, and an education standard (i.e. share of families below a percent of median income, the number of uninsured, the number of adults without a high school degree, the number of children entering kindergarten ready to learn). Examples of other measures and data are those used by the Working Poor Families Project and those in the UK. A list of these can be found at:
  ◦ Working Poor Families: http://www.workingpoorfamilies.org/indicators.html
  ◦ Council of the European Union: http://www.ceps.lu/eu2005_lu/report/final_annexes.pdf Tables 2.2a and 2.2b and also
  ◦ United Kingdom Opportunity for All indicators: http://www.dwp.uk/ofa
ENDNOTES

1 Annette Case is a private consultant focused on workforce development and economic security issues. Formerly, she worked for the Seattle Jobs Initiative on their Working Poor Families Project and was a primary author of their WPFP report. Thanks to Brandon Roberts, Mark Greenberg, Jodie Levin-Epstein, Representative Patricia Todd, Elaine Zimmerman, Ron Gilbert, Jim P. Horan, Carol Goertz, Nan Madden, and Mike Leachman for their review, comments and thoughtful insights, all of which contributed to the development of this policy brief.


3 See Working Poor Families Project data on the conditions of low income and poor working families at: http://www.workingpoorfamilies.org/xls/WPFP_Conditions_Low-Income_Working_Families.xls

4 The Economic Costs of Poverty, by Harry Holzer, Diane Whitmore Schanzenbach, Greg J. Duncan, and Jens Ludwig, January 14, 2007 pg. 1

5 This progress was calculated using a relative measure; using the absolute U.S. measure shows an even greater decline in child poverty. http://www.americanprogress.org/issues/2007/04/pdf/poverty_report.pdf, pg. 16.


7 For example, in 2006 health insurance premiums grew at a rate of 7.7% while the overall rate of inflation was 3.5% and wage growth at 3.8%. Kaiser Family Foundation and The Health Research and Educational Trust. 2007. Employer Health Benefits 2007: Annual Survey. Menlo Park, Calif.: Kaiser Family Foundation.


9 Ibid


14 Though cutting child poverty in half in ten years is the most common legislated goal, other states have or may develop different goals such as reducing overall family poverty in half in ten years or focusing on extreme poverty.

15 To review the complete bill please see http://www.leg.state.vt.us/docs/legdoc.cfm?URL=/docs/2008/bills/passed/S-177.HTM


17 Ibid.


21 Though some regulations on payday and title-lending companies already exist, the intent of this recommendation is to further regulate them to reduce the current allowable high annual percentage rate.


23 The Minnesota Commission to End Poverty by 2020 is the name of the commission, though a specific target has not yet been officially adopted.


27 To read more about the policy recommendations and the draft report of the panel please see http://www.ct.gov/opm/lib/opm/hhs/cpc/2008_child_poverty_and_prevention_report_final_one.pdf appendix C. Please see section V for a full description of this reorganization.

28 See footnote 1. for those who contributed their ideas and thoughtful insights.