Poverty and Inequality
Structural Barriers to Poverty

Ensuring Opportunity:
Addressing Poverty in Contra Costa County
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By Michael Herald, WCLP
Poor is a Four Letter Word

• In recent years we have seen some remarkable cultural changes:
  – Ending Apartheid
  – Establishing Gay Marriage
  – Immigrant Bashing is Dead
  – But the poor are still being stereotyped, scapegoated, the brunt of jokes, used as political fodder
  – When will this stop? It really is no laughing matter.
Turns Out – Poverty is Not Good

• Childhood poverty increases the chances that this child is:
  – less likely to finish high school
  -- more likely to be poor
  -- less likely to be working as a young adult

• The longer that children are poor during the early years, the worse are adult outcomes

• The younger the child, the worse are adult outcomes
Poverty Is a Toxicant

• “[C]an disrupt the development of brain architecture, and children raised in poverty are more likely to experience toxic stress than non-poor children. Excessively stressful conditions early in childhood have been linked to a number of changes in the brain that compromise healthy development.

That is why interventions that address early sources of toxic stress are likely to lead to more positive life trajectories.”
The Implications are Far-Reaching: Boosting Incomes Among Poorest Families Increases Young Children’s Earnings as Adults

*Effect of $3,000 annual income increase during early childhood (ages 0-6) on child’s later earnings*

- For Families Under $25,000: +17%
- For Families with Incomes of 25,000+: +2%

Source: Duncan and Magnuson, “The Long Reach of Early Childhood Poverty”
Moving Forward

• 50 years after the War on Poverty we haven’t moved the needle
• Direct services are vital but “we can’t direct service our way out of poverty”
• We must identify the barriers that make and keep people poor and put in place policies that reduce economic hardship
Structural Barriers/Root Causes that Contribute to Poverty

• Income and tax inequality
• Stagnating low wages
• Reduced public investment
• Inadequate public benefits, detrimental exclusions and restrictions
• Lack of access to quality education
• Lack of access to affordable health care and housing
• Institutional racism
• Criminalization of the poor
• Restrictive immigration policies
• Predatory practices
Exclusionary and Restrictive Practices and Policies

- Truancy and zero tolerance policies that lead children to drop out of school.
- Traffic fines and fees leave 500K without a valid license.
- Making criminals out of victims like young people trafficked into prostitution.
- Releasing prisoners without education, skills, money, housing, health care or identification.
- Erecting barriers to employment, benefits and housing for former felons.
- Putting children into foster care because the parent is poor.
INCOME and TAX INEQUALITY
Share of total household wealth growth accruing to various wealth groups, 1983–2010

- Bottom fifth: -2.6%
- Second fifth: -1.3%
- Middle fifth: -1.5%
- Fourth fifth: 4.3%
- 80th–<90th percentile: 10.9%
- 90th–<95th percentile: 16.0%
- 95th–<99th percentile: 35.9%
- Top 1 percent: 38.3%

The Share of Total Income Going to the Wealthiest Californians Increased Between 1987 and 2009

Source: Franchise Tax Board
Broadly Shared Prosperity Ended in the Early 1970s, and a Generation of Widening Inequality Began

<table>
<thead>
<tr>
<th>Income Category</th>
<th>1947 to 1973</th>
<th>1973 to 2009</th>
</tr>
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<tbody>
<tr>
<td>Bottom Fifth</td>
<td>117.4%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Second Fifth</td>
<td>97.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Middle Fifth</td>
<td>103.5%</td>
<td>16.3%</td>
</tr>
<tr>
<td>Fourth Fifth</td>
<td>104.7%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Top Fifth</td>
<td>88.7%</td>
<td>56.8%</td>
</tr>
<tr>
<td>Top 5 Percent</td>
<td>74.9%</td>
<td>78.3%</td>
</tr>
</tbody>
</table>

Source: Economic Policy Institute
Get the Feeling
Something is Not Right?

According to the AFL-CIO’s Pay Watch:

• In 1982 CEOs were earning 42 times more than average rank-and-file employees.
• By 1992 that ratio had grown to 201 times more than the average
• By 2012 it jumped to 354 times more than the average person.
The Implications are Far-Reaching: Boosting Incomes Among Poorest Families Increases Young Children’s Earnings as Adults
TAX INEQUITY

- Low to moderate income Californians pay a higher percentage of income in taxes than wealthier Californians.
- Even with Proposition 30's tax rate increases, California's lowest-income families pay the largest share of their incomes in state and local taxes.
- The bottom 20% of Californians pay more than 10% of their income in state and local taxes, while earning about $13,000 a year on average compared to the top 1% who pay just under 9% (CBP).
- Middle- and especially upper-income families receive numerous government benefits that help them maintain and improve their standard of living -- benefits that are largely unavailable to lower-income families. These include tax-subsidized benefits provided by employers (e.g. health insurance and retirement accounts) and tax breaks for home owners. (Nat Center for Children in Poverty)
INADEQUATE PUBLIC BENEFITS
Deep Poverty the Norm in CalWORKs

• Deep poverty is when income is below 50% of the poverty level.

• The **maximum grant** for a CalWORKs family of 3 is 40% of the poverty level.

• 52% of all CW cases have one or more excluded family members – 33% of FPL

• 110,000 children excluded because they were born into a family on CalWORKs due maximum family cap
Deep Poverty is a Policy Choice

• Maximum Family Grant rule that exclude children in families who have a child after the family is on aid
• Exclusion of adults w/ drug felony convictions
• Sanctions on adults for failure to meet work participation – 1 in 3 families on CalWORKs is sanctioned.
• 24 and 48 month time limits on adults is unrealistic and not based on evidence.
TANF Cases to Families in Poverty Ratio Illustrates Weakening of TANF as a Safety Net Over Time

Number of Families Receiving AFDC/TANF Benefits for Every 100 Families in Poverty

- 1979: 82
- 1996 (enactment of TANF): 68
- 2009: 27

Source: CBPP analysis.
EDUCATION
• Low levels of parental education are a primary risk factor for being low income. Eighty-three percent of children whose parents have less than a high school diploma live in low-income families.

• Access to quality early childhood education greatly increases the child’s likelihood of a more successful outcome as an adult, including increased earnings, reduced crime, and better health.

• Education combined with a strategy of focused job training is more successful than just education alone in raising employment and earnings prospects.
Education Is the Key to Increasing the Number of Poor Women Who Work
NEXT STEPS

• These are just a few of the structural barriers that contribute to poverty
• We need to change the values of our country
• We need to enact policies that reduce economic hardship and expand pathways to opportunity and advancement