

Testimony

of

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before the

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Good morning. I am Angela Glover Blackwell, founder and CEO of PolicyLink, a national research and action institute advancing policies that create economic and social equity. Along with Peter Edelman of Georgetown University Law School, I also co-chair the Center for American Progress (CAP) Task Force on Poverty. Thank you for this opportunity to speak about ending poverty in America.

In this country, 37 million people live below the official poverty line—\$19,971 for a family of four¹. Another perspective to grasp the scale of poverty in America: Ninety million people—nearly one out of three of all Americans—have incomes below 200 percent of federal poverty thresholds. Additionally, millions of Americans are just one layoff, one health crisis, or one family emergency away from poverty's door. Poverty leads to suffering, imposing huge costs on society. The lower productivity and earnings of poor adults, the high costs of poor health, increased crime, and shattered neighborhoods add up. Persistent childhood poverty is estimated to cost our nation \$500 billion each year, or about 4 percent of the nation's gross domestic product.²

The United States has experienced dramatic reductions in poverty. These reductions, however, have never been the inevitable result of economic prosperity. In addition to good economic times, poverty reduction required sound federal and state policies, individual initiative, strong social networks, and sustained national commitment. Despite increased employment among the poor, in recent years these policy and commitment elements have eroded, and the result is increasing poverty—five million additional Americans fell into poverty during the past five years.³

It does not have to be this way. Our nation need not tolerate persistent poverty alongside great wealth. I will focus my remaining remarks, therefore, on ways to reduce poverty and move toward a society in which all can participate and prosper, in which steady work is both a protection from and a route out of poverty, in which all Americans can live in communities that are rich in opportunity, and in which children and adults can reach their full potential.

The CAP task force recommends that the United States set a national goal of cutting poverty in half over the next 10 years.⁴ To accomplish this goal, the task force proposes 12 recommendations grouped under four principles:

- **First, the goal should promote decent work.** People should work, and jobs should pay enough to ensure that employees and their families can avoid poverty, meet basic needs, and allow them to save for the future.
- **Second, it should 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, become better educated, live in a good neighborhood, and advance in the workforce.
- **Third, it should ensure economic security.** Americans should not fall into poverty when they cannot work or when work is unavailable, is unstable, or pays so little that they cannot make ends meet.
- **And fourth, it should 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 can be essential to advancement and upward mobility.

These four principles and the following recommendations will cut poverty in half only if they are able to work in tandem. Ending poverty in this country requires more than a single approach or policy solution. Good jobs and benefits matter, as do strong families. High-quality education is essential, as are safe and enriching neighborhoods. Opportunities to increase assets and wealth must be widely available; economic security and access to healthcare are crucial. Protections must be provided for the most vulnerable. Of course, personal initiative also matters greatly. But policies that promote personal responsibility are not enough. They must be paired with policies of social responsibility. All of these things working together will alleviate and ultimately eliminate poverty.

Through the strategies outlined here, America can cultivate a new cycle of prosperity.

Principle 1: Promote decent work

1. Raise and index the minimum wage to half the average hourly wage.
2. Expand the Earned Income Tax Credit (EITC) and child tax credit.
3. Promote unionization by enacting the Employee Free Choice Act.
4. Guarantee child care assistance to low-income families, and promote early education.

A starting point for decent work is the need for a full-employment economy.⁵ In the 1990s the merits of such an economy became clear. As low-wage workers saw labor markets become tight, they also saw wages, health insurance, and pension coverage increase. Not only did real incomes grow, but poverty fell.⁶

Compared with other countries, the principal reason for high poverty rates in America is not low work effort. In fact, poor households in the United States work more than those in many other developed nations.⁷ While seeking to raise labor force participation, there must also be a focus on raising the returns on work. The minimum wage increase that went into effect June 2008 is good progress. To ensure that Americans don't continue to fall behind, Congress should take further action by raising it to half the average hourly wage and indexing it.

Three of our recommendations—the increased minimum wage, expanded EITC and child credit, and child care assistance—taken together would reduce poverty by 26 percent, according to the Urban Institute, which modeled the implementation of these three. This would bring our nation more than halfway toward reaching the proposed goal of cutting poverty in half.

Principle 2: Provide opportunity for all

5. Create two million new “Opportunity” housing vouchers, and promote equitable development in and around central cities.
6. Connect disadvantaged and disconnected youth with school and work.
7. Simplify and expand Pell Grants and make higher education accessible to residents of each state.
8. Help former prisoners find stable employment and reintegrate into their communities.

To provide opportunity for all, every child born in this country should have fair life chances and opportunities to move up over time. All Americans should have the chance to live decent, worthwhile lives and expect that their children will be able to reach their full potential. These opportunities should be available to all. People want to live where they have direct access to high-quality schools, employment opportunities, and social networks. Increasing housing vouchers that can allow more families to live in communities rich with opportunity will be a big step toward improving outcomes for children.

Declining economic mobility is a growing problem in America. Many advanced nations boast greater economic mobility than does the United States. Studies show that the correlation between the earnings of sons and fathers (the standard measure of intergenerational mobility) is closer in the United States than in many countries in Europe⁸ and that fewer low-income individuals are able to exit low-income status from one year to the next in the United States.⁹

For children from low-income families, there is only a one percent chance of reaching the top 5 percent of the income distribution. This compares with about a 22 percent chance for children of the rich.¹⁰

In 2005 nearly 1.7 million poor youth ages 16 to 24 were out of school and out of work. Our task force recommends that the federal government restore Youth Opportunity Grants to assist disinvested communities while expanding funding for promising and effective youth programs. Further, the creation of an Upward Pathway program to offer low-income youth opportunities to participate in high-demand service and training fields would alleviate poverty while providing needed public services.

While education can be a great leveler, too often the poorest children and workers in this country have the fewest opportunities for education.¹¹ High-quality, universally accessible education—from early childhood through post-secondary—is essential to increase opportunity and mobility.

In today's competitive workforce, it has become increasingly difficult to secure a good job without a post-secondary education. Higher education must be made affordable for low-income individuals, and Pell Grants play a critical role in creating access to such an education for poor youth.

America has the highest incarceration rates in the world. Contributing mightily to that is the very high rate of recidivism. States can impact poverty, reduce crime, and strengthen communities through comprehensive reentry services that support the reintegration of former prisoners into their communities with full-time, stable employment. These steps can provide a valuable second chance for their becoming productive, contributing citizens who have served their time. If those returning from prison or jail can find meaningful work and participate in society, this avenue of opportunity will extend to their children, exponentially improving the next generation's chances of not being poor.

Principle 3: Ensure economic security

9. Ensure equity for low-wage workers in the unemployment insurance system.
10. Modernize means-tested benefits programs to develop a coordinated system that helps workers and families.

The concept of social security is grounded in the principle that our nation is more secure when we share some risks. Our economy depends on risk and entrepreneurship. In such an economy, a basic set of social protections can ensure that unanticipated events such as illness, natural disasters, unemployment, or loss of a family member do not have catastrophic consequences for families and communities.

Economic security for Americans should mean that work protects families from poverty, ensuring that when a worker loses his or her job, there will be time to look for another one or upgrade education and skills without risking eviction or foreclosure. This security

should extend to individuals with disabilities, who should be encouraged and supported in their efforts to participate in the workforce to the maximum extent possible, without fear that efforts to do so risk leaving them with no source of support, just as it can assure that no child in America go hungry or be exposed to homelessness.

A number of low-income assistance programs should be revamped 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.

Principle 4: Help people build wealth

11. Reduce the high costs of being poor and increase access to financial services.
12. Expand and simplify the Saver's Credit to encourage saving for education, homeownership, and retirement.

Building wealth is an integral element of a strategy to prevent or 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 an entryway to upward mobility—creating the possibility of getting a college education, buying a home, or starting a small business. Moreover, having assets can foster long-term planning, provide a foundation for taking prudent risks, and increase community involvement and civic participation.¹²

Unfortunately, asset inequality is severe in the United States and substantially larger than income inequality. Over one-third of all households have few or no assets. There are key steps that can help more low-income families begin to create wealth. First, raising labor force participation and paying 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.

Families need better saving vehicles to help them meet their long-term goals—whether saving for a home, for more education, for the future of their children, or for their own retirement. The CAP Task Force advocates policies that decrease the costs of being poor and that reduce or eliminate assets tests in means-tested programs; it also stresses the need for federal tax policy that will provide tax-based help for savings efforts among low-income households.

Infrastructure investments can reduce poverty

The nation's legacy of poverty is long and complex, but one thing is clear: place matters. Where we live affects access to transportation, to jobs, to good schools, to resources such as grocery stores, banks and parks, and to enriching amenities such as cultural institutions. Ending poverty, therefore, also requires investments of infrastructure dollars that create housing, transportation, and job opportunities in low-income communities.

Few people give much thought to infrastructure until a sinkhole opens up, track work interrupts daily commutes, or water mains break. Yet, infrastructure is the skeletal support of communities and regions, and all across America infrastructure is aging and in need of maintenance, upgrades, and new construction. Congress is considering the creation of a national infrastructure bank to finance sorely needed projects; such financing should be linked to goals for employment and business opportunities for residents of disinvested communities.

Investing in infrastructure where low-income people live can help those communities become economically competitive. The process itself of building or maintaining infrastructure creates jobs. Transportation and telecommunications are infrastructure investments that can connect low-income communities and communities of color to jobs and resources throughout the region. America must also maximize the job creation potential of infrastructure investments through local hiring and job training programs that can attract poor people into the workforce. The federal transportation funding reauthorization bill, coming up in 2009, is a critically important vehicle for achieving these workforce goals as well as for improving mass transit so that it can be a more effective avenue to good-paying jobs.

Location impacts health and opportunity

Planners, policymakers, and public health officials are realizing that health, too, is influenced by where one lives—and has a symbiotic relationship with poverty. Poor health affects one's ability to earn a living, yet low-income neighborhoods with poor housing and environmental conditions and few resources further exacerbate health problems. Communities of opportunity, on the other hand, promote good health through clean air, neighborhood supermarkets that offer healthy food choices, and safe streets and parks where residents can walk, exercise, and play. Healthy food choices are particularly critical considering that there is an explosion in obesity rates in the country. Obesity is a factor in many life-threatening diseases such as diabetes, stroke, and heart disease. Yet few poor neighborhoods have access to supermarkets, farmers' markets with fresh produce, or any options for purchasing groceries other than corner stores that primarily stock processed foods and canned goods high in salt and sugar—and calories.

The recently passed federal Farm Bill contains provisions to increase access to healthy foods in underserved communities. In addition to significant increases in funds for food stamps, the bill establishes a Healthy Urban Food Enterprise Development Center to increase access to healthy, affordable food in underserved communities. Support was garnered for farmers' markets in these same communities, and the bill calls for a one-year USDA-led study to look at the incidence of "food deserts"—areas without access to healthy and fresh food retail outlets—while identifying strategies to reduce their incidence. These provisions are the building blocks for what could be much bigger change in the future, supporting efforts already underway in states and cities to increase access to healthy foods. Building on these efforts to reduce poverty would be instrumental in building healthy communities.

Poverty is multidimensional. Its causes and effects are myriad, but its solutions are multidimensional and, when done right, multi-beneficial. For example, investing in the construction of a hospital in a low-income community—when the project is tied to job training and local hiring priorities—delivers immediate construction jobs, eventual health services jobs, and long-term community-based healthcare. Creating tax credits or other incentives for affordable housing in mixed-income communities may bring poor families closer to job opportunities as well as offer their children the chance to attend high-quality, resource-rich public schools. Poverty results in adverse economic effects for the entire nation. Alleviating poverty can improve all our lives.

Appendix

The CAP Task Force recommends 12 key steps to cut poverty in half:

1. Raise and index the minimum wage to half the average hourly wage.
2. Expand the Earned Income Tax Credit (EITC) and child tax credit.
3. Promote unionization by enacting the Employee Free Choice Act.
4. Guarantee child care assistance to low-income families, and promote early education.
5. Create two million new “Opportunity” housing vouchers and promote equitable development in and around central cities.
6. Connect disadvantaged and disconnected youth with school and work.
7. Simplify and expand Pell Grants and make higher education accessible to residents of each state.
8. Help former prisoners find stable employment and reintegrate into their communities.
9. Ensure equity for low-wage workers in the unemployment insurance system.
10. Modernize means-tested benefits programs to develop a coordinated system that helps workers and families.
11. Reduce the high costs of being poor and increase access to financial services.
12. Expand and simplify the Saver’s Credit to encourage saving for education, homeownership, and retirement.

Notes

¹ Center for American Progress Task Force on Poverty, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half* (Washington, DC: Center for American Progress, 2007).

² Harry Holzer, Urban Institute, “Economic Costs of Childhood Poverty,” Testimony before the U. S. House Committee on Ways and Means (January 2007).

³ Julian Bond, NAACP National Board of Directors Chairman (remarks delivered at the 98th Annual NAACP Convention, Detroit, MI, July 7, 2007).

⁴ Center for American Progress Task Force on Poverty, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half* (Washington, DC: Center for American Progress, 2007).

⁵ Full employment has been defined as the level of employment at which an increase in demand in the economy will not produce an increase in employment. Jared Bernstein and Dean Baker suggest that the unemployment rate should be no higher than 4 percent in a full-employment economy. Jared Bernstein and Dean Baker, *The Benefits of Full Employment: When Markets Work for People* (Washington, DC: Economic Policy Institute, 2003).

⁶ *Ibid.*, chapter 4.

⁷ Timothy Smeeding, "Poor People in Rich Nations: The United States in Comparative Perspective," *Journal of Economic Perspectives* 20(1):69–90 (January 2006).

⁸ Markus Jantti, Bernt Bratsberg, Knut Roed et al., *American Exceptionalism in a New Light: A Comparison of Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom, and the United States*, IZA Discussion Paper No. 1938 (Oslo, Norway: University of Oslo, Department of Economics, 2005).

⁹ John Schmitt and Ben Zipperer, *Is the U. S. a Good Model for Reducing Social Exclusion in Europe?* (Washington, DC: Center for Economic and Policy Research, 2006).

¹⁰ Tom Hertz, *Understanding Mobility in America* (Washington, DC: Center for American Progress, 2006).

¹¹ Isabel Sawhill and Sara McLanahan, "Introducing the Issue, Opportunity in America," *Future of Children* 16(2):(Fall 2006).

¹² Corporation for Enterprise Development, *Summary, Hidden in Plain Sight: A Look at the \$335 Billion Federal Asset-Building Budget* (Washington, DC: Corporation for Enterprise Development, 2004).