

# **Poverty and Inequality**

## **Structural Barriers to Poverty**

**Ensuring Opportunity:  
Addressing Poverty in Contra Costa County  
May 17, 2014  
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

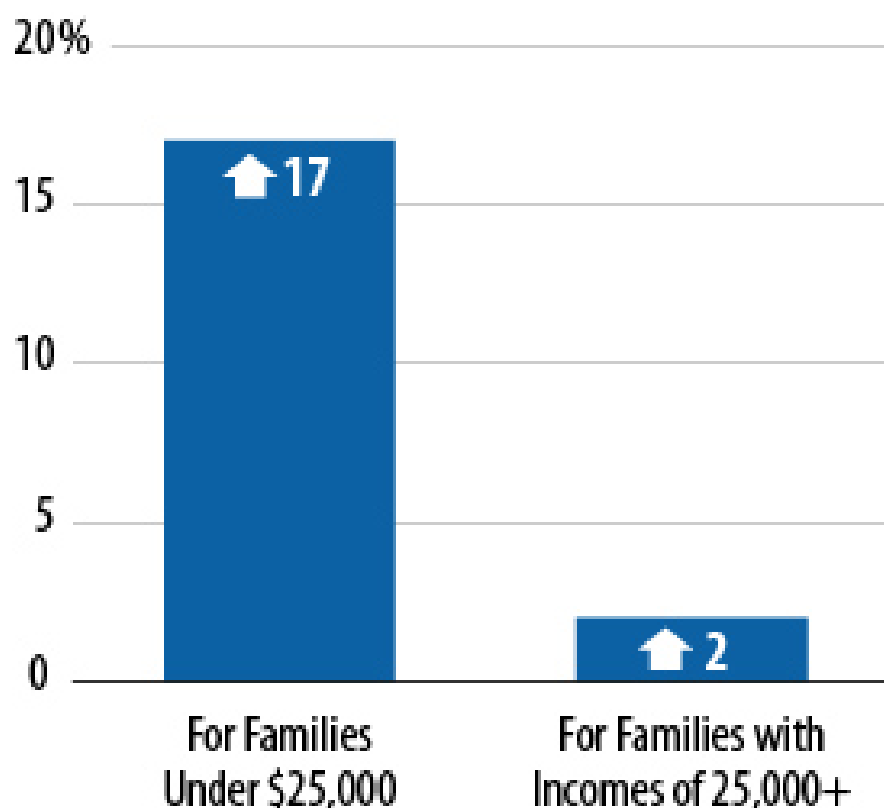
# Poverty Is a Toxicant

- *“[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



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

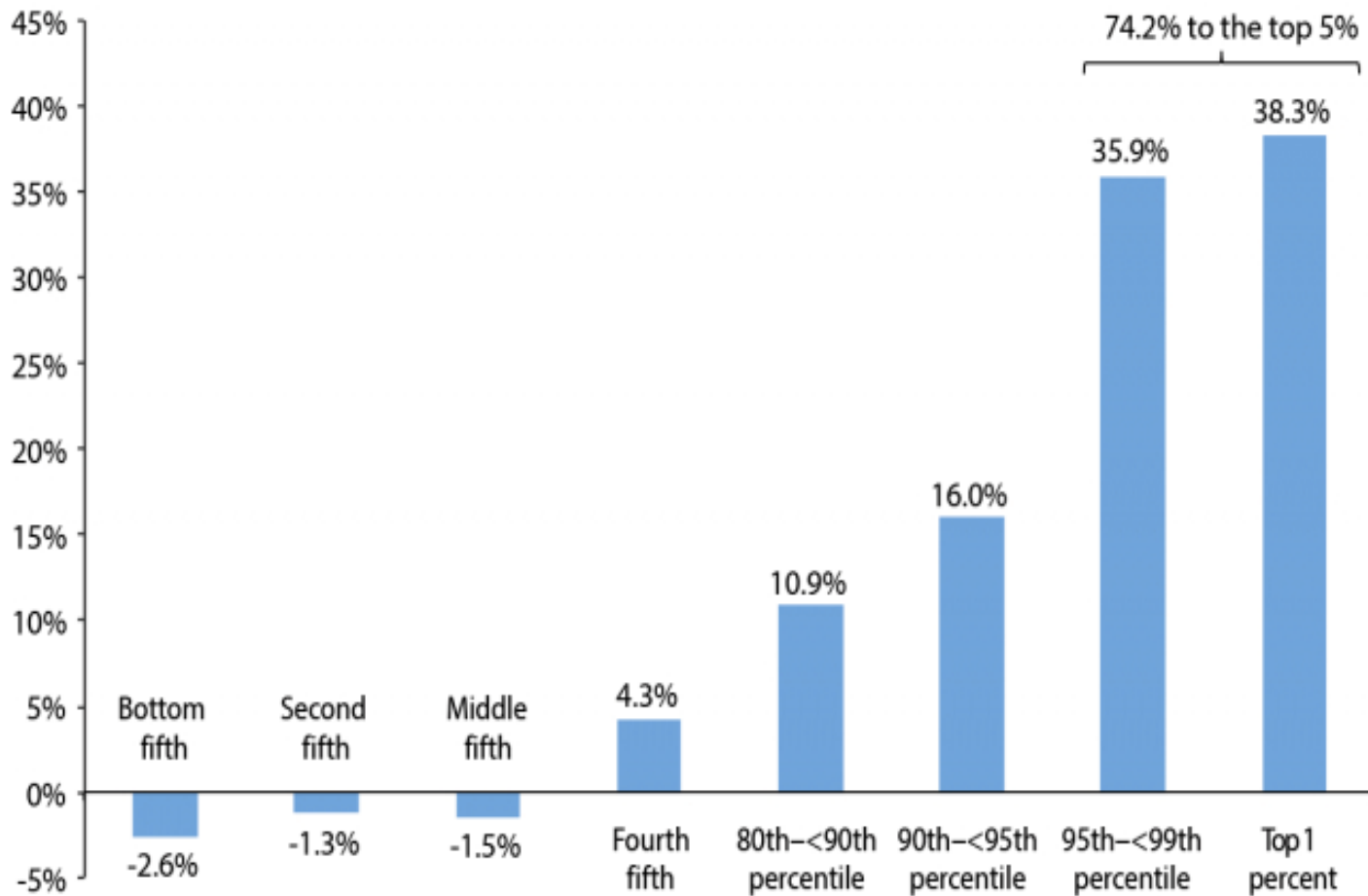
# Exclusionary and Restrictive Practices and Policies

- 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.



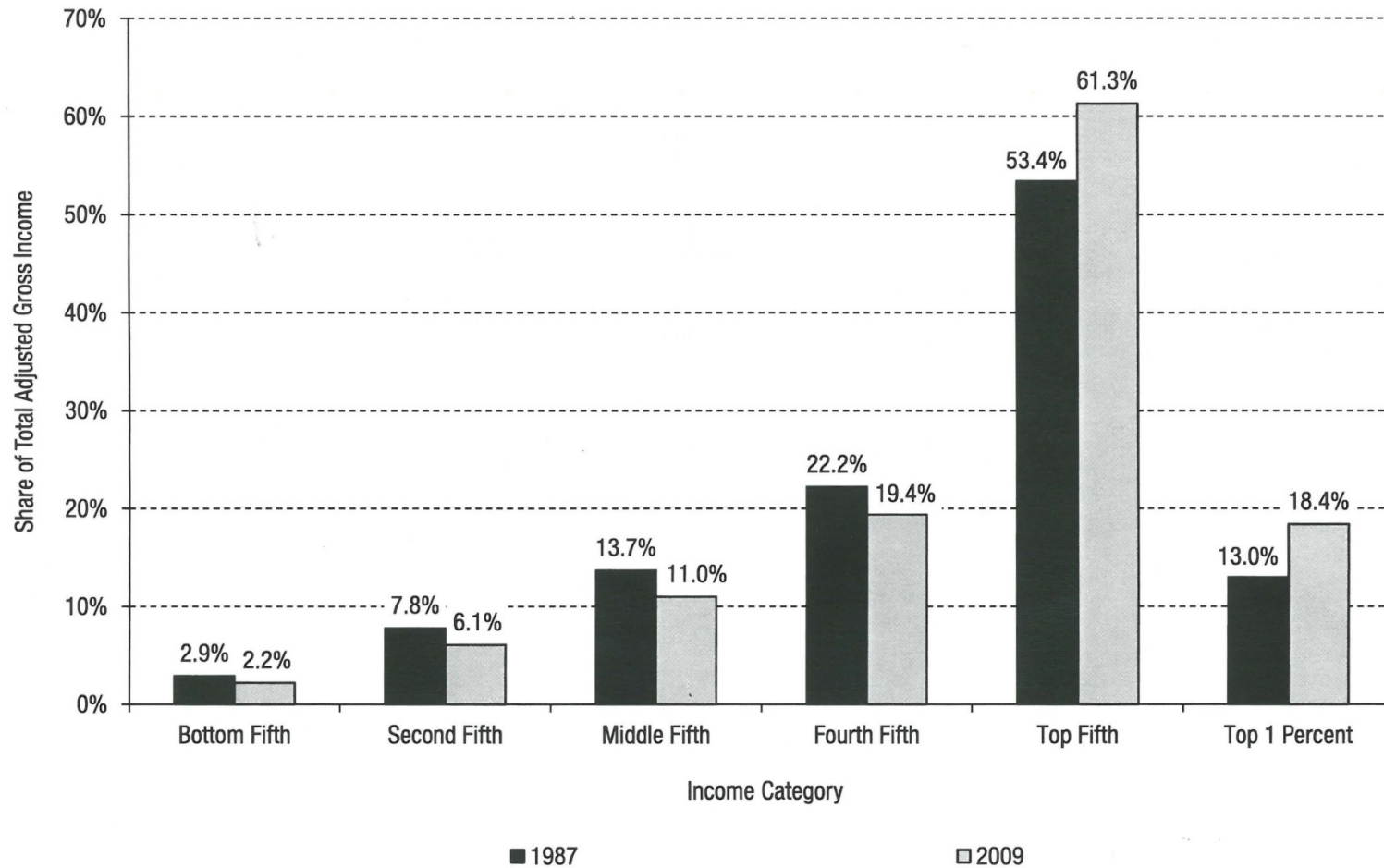
# **INCOME and TAX INEQUALITY**

## Share of total household wealth growth accruing to various wealth groups, 1983–2010

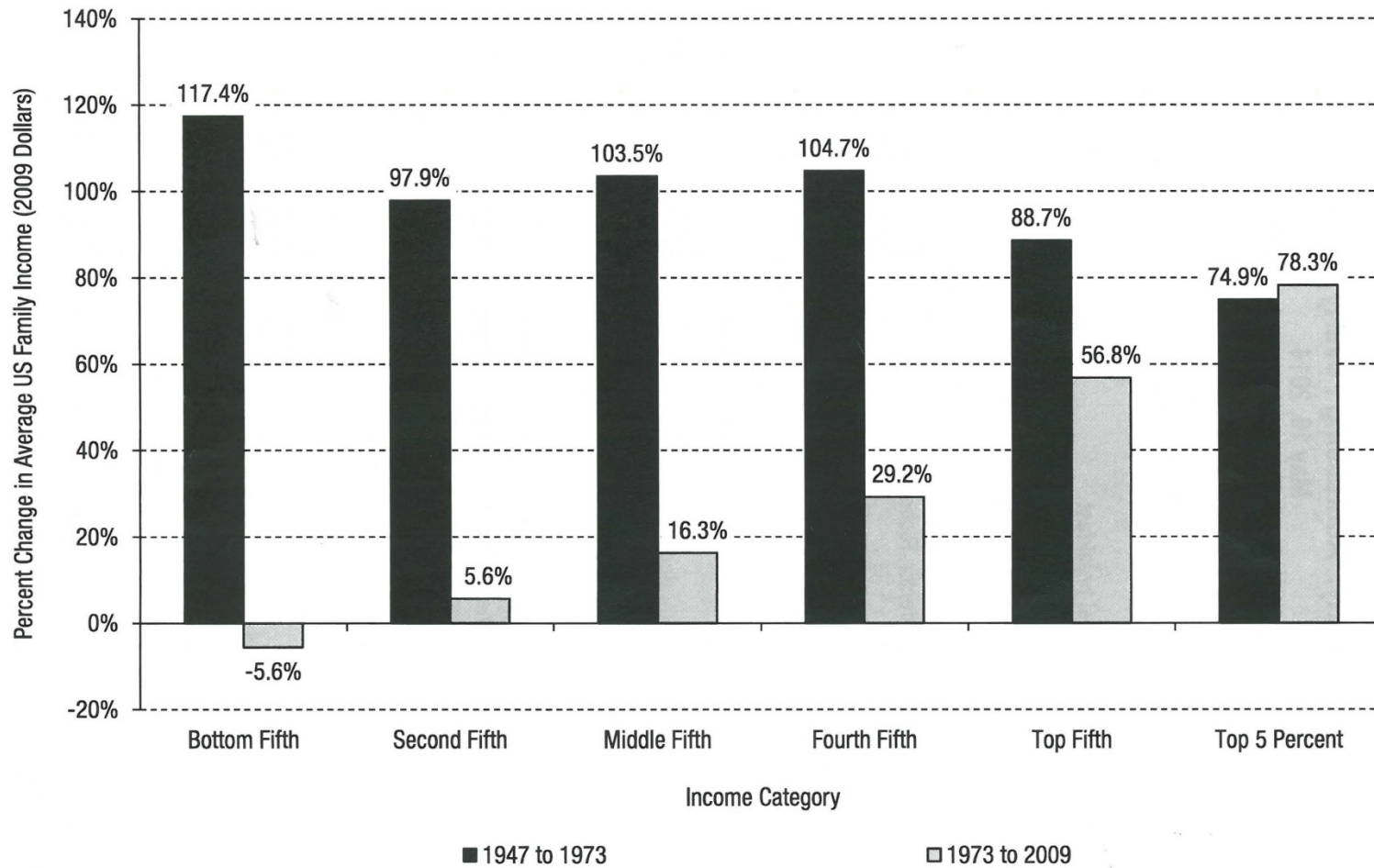


Source: Wolff (2012)

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



## Broadly Shared Prosperity Ended in the Early 1970s, and a Generation of Widening Inequality Began



# Get the Feeling

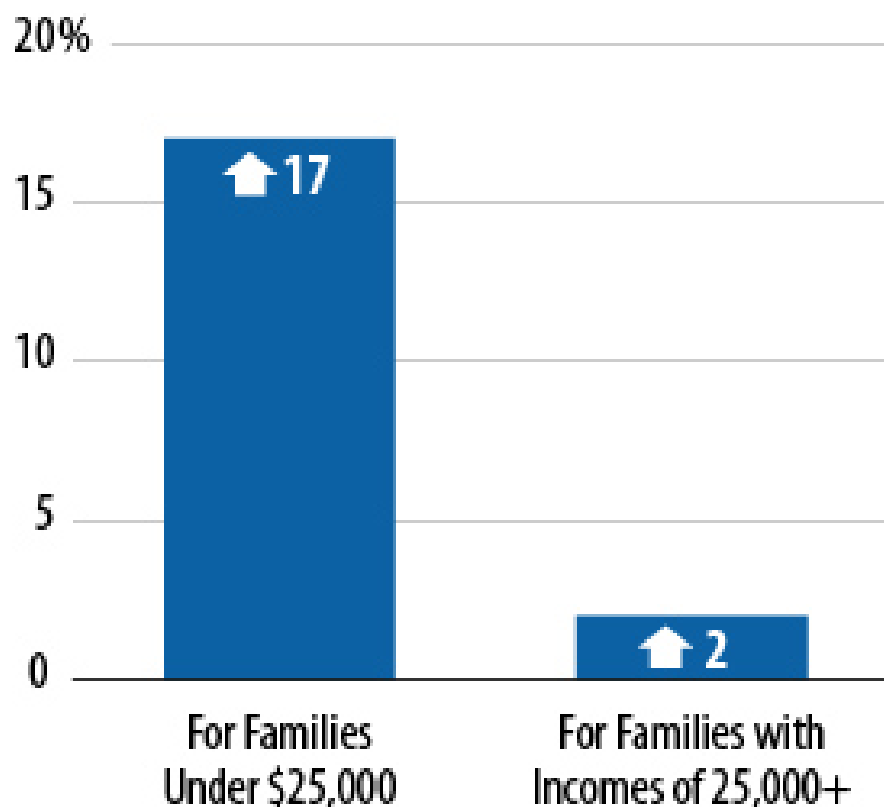
## Something is Not Right?

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

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



Source: Duncan and Magnuson, "The Long Reach of Early Childhood Poverty"

# 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

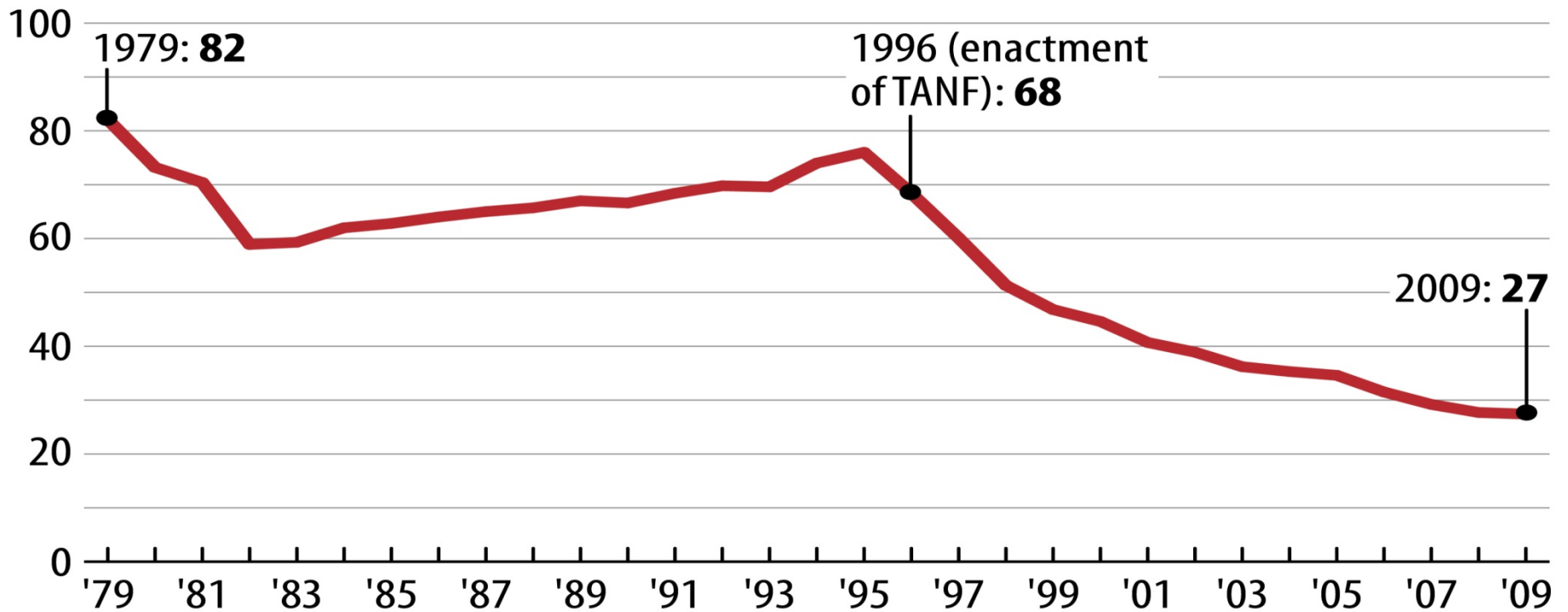
- Deep poverty is when income is below 50% of the poverty level.
- The **maximum grant** for a CalWORKs family of 3 is 40% of the poverty level.
- 52% of all CW cases have one or more excluded family members – 33% of FPL
- 110,000 children excluded because they were born into a family on CalWORKs due 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

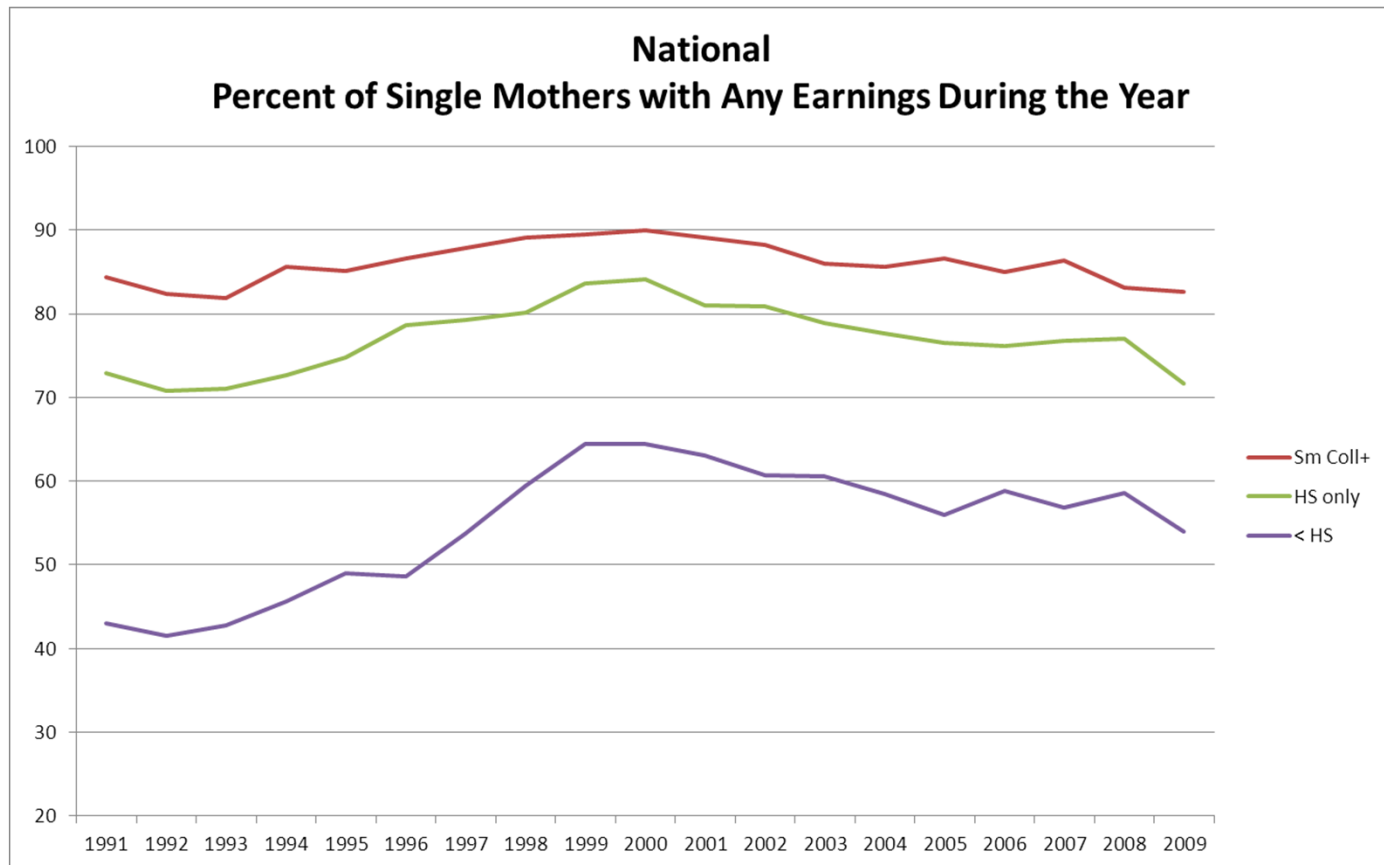


Source: CBPP analysis.

**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