

To: President-Elect Obama
From: Rebecca Blank, The Brookings Institution
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Re: Decrease Poverty and Increase Opportunity

The Situation

Throughout the campaign you spoke about the problems of poverty and the need to increase educational and economic opportunities for all Americans. There are many who expect you to develop and support a set of anti-poverty initiatives in your first several years in office. A deepening recession will only increase concern about these issues; the number of Americans in poverty will almost surely increase this year and next.

You are well acquainted with many of the key aspects of this problem:

- Based on official statistics, over 37 million Americans—one in eight—live in families with income below the official U.S. poverty level. This poverty rate has changed little in recent years. Poverty rates are particularly high among single mothers and their children, people of color and recent immigrants.
- While low family income creates serious economic stresses, poverty is most challenging when low-income families face a host of closely related problems, including poor local schools, inadequate health care, unsafe neighborhoods and limited employment opportunities.
- Long-term poverty is most damaging, particularly among children, and occurs most frequently in high-poverty urban and rural areas.
- The way most Americans escape poverty is through work, yet many families with working adults are still poor because of low skills, low wages or unstable employment.

Your efforts in this area should focus on three major goals:

- *Incentivizing and supporting low-wage workers.* There is ongoing and bipartisan political support for assistance to low-skilled working adults and their families; you should capitalize on this.
- *Ensuring an effective safety net.* Not all adults can or should be expected to work, particularly the elderly or those with serious physical or mental disabilities. And not all able-bodied adults can find jobs in a high-unemployment economy.
- *Creating opportunities in high-poverty neighborhoods.* Low employment, limited public services, low school completion and housing problems (such as high rates of foreclosure) create cumulative problems in high-poverty urban and rural communities.

If you are effective in these three areas, you will also be effective at perhaps the most important cross-cutting need: *improving opportunities for children*. To reduce poverty rates in the long run, we have to ensure that today's poor children have greater opportunities than their parents—or grandparents.

Your Stance

You put many good policy ideas on the table during your campaign; now the current economic concerns and the long-term budget deficit problems require that you establish priorities for action. Here are suggested high priorities for early action from among the policies you discussed in the campaign, corresponding to the three goals mentioned above:

- ***Incentivizing and supporting low-wage workers – Enact an expanded Earned Income Tax Credit (EITC) for low-wage workers without children:*** Currently, only working parents who live with their children can receive a large EITC. But labor force participation rates are falling among less-skilled men (particularly men of color), many of whom do not live with their children but have child support obligations. We need to “make work pay” for *all* low-wage workers in low-income families. This initiative could generate bipartisan support and produce a major political win early in your administration.
- ***Ensuring an effective safety net – Reform the Unemployment Insurance (UI) system:*** Temporarily extending UI benefits for the long-term unemployed in this recession is part of the proposed stimulus package that you support. Rising unemployment rates can also provide political impetus for the broader UI reforms you’ve proposed. Only a little more than one-third of workers currently receive support from UI when they lose their jobs. Because states are partners in the design and funding of the UI system, this agenda will take close collaboration with governors and some financial sweeteners to get states as well as the private sector to agree that more people need UI coverage.
- ***Creating opportunities in high-poverty neighborhoods – Promise Neighborhoods and Internet connections:*** You have committed to creating 20 Promise Neighborhoods, each providing a full network of services—such as early childhood education, violence prevention, and after-school programs—with coordinated efforts at urban reform. This is an excellent way to test these ideas, but please build in a serious evaluation of these efforts so that we learn something about what works. You’ve also committed to expanding Internet connectivity in low-income neighborhoods, both rural and urban. Bringing the Internet to communities is important both symbolically and substantively, just like the rural electrification projects of the last century.

Two broad major policy areas where you have committed to pursue reforms are also highly important to low-income Americans:

- ***Educational reform:*** You have repeatedly emphasized the need for more comprehensive preschool education, for better K-12 schools, and for funding that allows all Americans to plan for schooling beyond high school. In the long run, these may be the most important anti-poverty initiatives you create.
- ***Health care reform:*** A long-term viable funding plan for Medicaid and Medicare will assure health care to poor families and the elderly; more comprehensive reform that provides coverage to the many workers who are not covered by their employers will make low-wage jobs more attractive and will improve health and productivity.

Further Recommendations

In addition to your campaign proposals, here are some additional items to include in your near-term list of priorities:

- ***Re-establish an effective safety net for mothers and children.*** The welfare reforms of the 1990s went too far in shrinking the safety net for families with children. An increasing number of single mothers, particularly those who face barriers that make it difficult to hold full-time stable jobs, are not receiving badly needed cash public assistance. It's time to rethink the rules by which the Temporary Assistance to Needy Families block grant is distributed. Particularly in the current economic environment, states need additional funds to help difficult-to-serve populations who can't readily find work.
- ***Assist high-foreclosure neighborhoods.*** As you deal with the mortgage and housing problems, it is particularly important to focus on neighborhoods with a high foreclosure rate, where homeowners with no personal financial problems have seen the value of their homes plummet. As you assist mortgage-holders, you should give particularly high priority to houses in these neighborhoods. Work to keep families in their homes or encourage banks to expedite resale and re-occupancy. In some neighborhoods with too many empty houses, it may be attractive to offer a "homesteading" option to allow a family to buy an empty house at a low price and do their own repairs.
- ***Modernize poverty measurement.*** Our current poverty measurement statistic is inadequate, based on 1950s data and 1960s methodology. It's time to ask the Census Bureau to produce and publish a modern poverty statistic, which will provide a much better sense of who is poor in America and the trends in poverty over time. Legislation on this will be introduced in the House and Senate in the new term. The Administration should move out front on this issue and make it happen. Best of all, this move requires good statistical judgment but is low-budget.
- ***In the current recession, think about options to provide special funding for the unemployed to pursue additional training.*** Too many Americans lack a high school degree or any post-high school training. Some will call for you to fund public works jobs in the face of rising unemployment. There are reasons to support some job creation programs, especially for disadvantaged youth. But it would be even better if these youth had an incentive to complete high school or pursue additional training. Similarly, extended UI benefits could include special funds available to those willing to build their skills for the next job.

As President, you are in a unique position to *use the bully pulpit* to keep problems of poor Americans on the agenda. Coming from the south side of Chicago, you are particularly well suited to bring together a broad coalition of leaders and experts concerned about poverty. You can talk credibly about the values of personal responsibility, marriage and family cohesion, and work effort, complementing policies to strengthen the safety net and support low-income working Americans.

Many of these initiatives cut across several Cabinet-level departments and other agencies. You need a "*Poverty Czar*," someone in the White House who's charged with coordinating anti-poverty policy and who has authority to bring together all of the players on these issues and produce an ongoing policy agenda.

Finally, you'll consider following the lead of Tony Blair, who made poverty reduction a major goal of his government. Several organizations are pushing the "Half in Ten" campaign, an effort to cut poverty in half in the next 10 years. More conservatively, "Half in *Twenty*" still would get people's attention. After releasing a new poverty statistic one year into your administration, you'll have a new baseline from which to launch this goal. This is a goal we can meet, if there is the political will and interest to try.