

Three Policy Options for Reducing Poverty in the U.S.

August 2008

Wade F. Horn, Ph.D.
Deloitte Consulting, LLP

Prepared for the Charles Stewart Mott Foundation
“Defining Poverty Reduction Strategies” Project

Contact Information:
Wade Horn
Director
Deloitte Consulting LLP
1001 G Street, NW - Suite 900
Washington, DC 20004
202.370.2480
202-661-1117 (Fax)
whorn@deloitte.com

Policy Strategy Option One: Focus on Improving the Connection of Low-income Men to the Paid Labor Force

In both public and private efforts to combat poverty, one often overlooked population is low-income men. To some extent this is understandable because men, on average, earn more than women and are less likely to be poor. But there are subgroups of men who are so disconnected from the economic mainstream that when left unaddressed engage in behaviors that place costs on society, such as crime, or contribute to the poverty of others, such as the failure to fulfill child support obligations.

One especially at-risk group is African-American men. According to calculations by Doug Besharov at the American Enterprise Institute, while the percent of African-American men who are living in poverty has declined over the past three decades – from 39.0% in 1968 to 27.6% in 2004 -- that percentage is still appallingly high, especially when compared to white males (11.3%). (The poverty rate for Hispanic males is also quite high at 22.6%). African-American men also are disproportionately represented in prisons and have relatively high rates of non-compliance with child support obligations.

Two promising strategies for improving the life circumstances of low-income men are: (1) building a world class vocational education system and (2) expansion of formal apprenticeships.

Why did I select this strategy?

To date, the primary interventions for low-income men have been prison and child support enforcement. As Ron Haskins of the Brookings Institution has noted, what these two interventions have in common is that they are designed to do something to,

rather than for, low-income men. Moreover, neither has been found to be particularly successful in improving the life circumstances of low-income men.

This should not be surprising. Both prison and child support enforcement are “after the fact” interventions. That is, both occur *after* the individual has done something that violates social norms -- crime in the case of prison and failure to fulfill one’s financial obligations to one’s children in the case of child support enforcement. Moreover, neither is designed primarily to benefit the man himself. Rather, both are designed to benefit a third party -- society at large in the case of prison and the custodial parent (and child) in the case of child support enforcement.

What is needed are strategies that focus more on prevention and the needs of low-income men, rather than “after the fact” interventions and their effect on third parties. As such, helping low-income men requires moving upstream to help them avoid becoming disconnected from the economic mainstream in the first place. In this regard, the greatest need is to help them not only graduate from high school, but with marketable skills.

One reason why we have not been as successful in helping low-income youth, and low-income males especially, graduate high school with marketable skills is that high schools have essentially become a “one-track” system designed to deliver students into traditional, liberal-arts oriented colleges and universities. This is certainly a worthy goal. Anyone, regardless of economic circumstances, who has the ability and desire to attend a traditional college or university, ought to be able to do so. It is a travesty that too many low-income youth continue to be denied this opportunity.

At the same time, however, we have largely under-funded alternate educational pathways, particularly career-oriented vocational education. In large measure this was in

reaction to the abhorrent practice of “tracking” – some might say “dumping” -- low-income youth into non-college bound courses simply by virtue of their economic status, or worse yet, their race.

But only about one-half of all high school graduates go to college, and of those that do, only about 25% graduate with a 4-year-degree. Nevertheless, most high schools dedicate enormous resources, services and programs to college-bound students; far fewer offer high quality services and program, such as a challenging, integrated curriculum and formal internships with local employers, for those who are not. Moreover, there is evidence that the best vocational education programs are in schools located in more affluent, suburban neighborhoods, compared to those in lower-income communities.

What is needed is to re-implement vocational education as a valued choice, so that those who wish to become electricians, plumbers, carpenters or welders, have a place to go to learn those skills and thereby access relatively well-paying careers. One particularly promising model is cooperative education, in which students earn academic credit for working with employers.

There is a risk that dedicating resources to vocational education will lower expectations for certain disadvantaged groups – especially low-income, minority men. One way to minimize this risk is by ensuring the choice of vocational education is in the hands of the students themselves rather than school administrators. Another is to commit to building a career-oriented vocational education system that is truly world-class, in the same way that we talk about “world class” higher education. This would require funding the development, implementation and evaluation of stimulating, coherent and integrated

career-oriented vocational education curriculum that lead to relatively well-paying careers.

A second intervention offering promise for helping connect low-income men to the economic mainstream is formal apprenticeships. Formal apprenticeships generally involving 2-3 years of “learning while doing” (and getting paid for it) combined with intensive supervision and class training. According to Robert Lehman of the Urban Institute, there are nearly 450,000 apprenticeships in the U.S. at any given time.

Evaluations of formal apprenticeships have been extremely promising. Yet, the federal government only spends \$20 million a year to support and expand the use of apprenticeships. Worse, formal apprenticeship models have been grossly under-utilized in low-income communities.

Public policy should aim to expand the use of formal apprenticeships through partnerships between employers and non-profit organizations located in low-income communities. The non-profit organization could help recruit low-income workers into the program and provide them with upfront life skills training. Public and private resources could help by subsidizing the costs of the wages of the apprentice for up to six months, after which the employer would agree to pick up the full cost of the program.

How will it impact poverty and enhance poverty alleviation?

When it comes to public policy, low-income men are not naturally sympathetic figures. Indeed, most interventions targeted to low-income men to date have been punitive in tone and purpose. But when low-income men are disconnected from the economic mainstream they engage in behaviors that place large costs on society and contribute to the poverty of others.

Helping low-income men develop the skills necessary to make a successful attachment to the paid labor force will increase their incomes while also making it less likely they will engage in socially undesirable behaviors, such as crime or failure to pay child support. Increasing the economic prospects of low-income men also would make them more attractive as marital partners and improve their ability to start and maintain a healthy family. Hence, public policy that focuses on improving the economic prospects of low-income men not only has the potential to alleviate their own poverty, but also the poverty of those around them.

Policy Strategy Option Two: Invest in Community-Based Positive Youth

Development Activities

Research consistently shows that youth who have positive adult role models in their lives, a hopeful perspective toward the future, and develop important attitudinal work skills are more likely to be successful in establishing connections to the economic mainstream. Unfortunately, too many low-income youth lack the opportunities to acquire these assets.

One reason for this is that crime and lack of resources have led to the near disappearance in many low-income communities of extra-curricular activities conducted under the watchful eye of caring adults. Yet engagement in such activities is where youth can learn such important skills as teamwork, fairness, respect for legitimate authority, and the value of dedication and hard work – all necessary behavioral traits for success in the workplace. It also is where youth growing up in difficult family circumstances can

develop relationships with positive adult mentors who can help steer them away from the allure of the streets and gangs.

A second strategy, therefore, for addressing poverty is to increase the availability of community-based, comprehensive positive youth development (PYD) programs. Such programs would provide safe and structured places for youth and focus on strengthening relationships with adult role models, skill development (including job skills training), opportunities to serve others, and healthy messages about teen bodies and behavior.

Why did I select this strategy?

Over the past twenty years practitioners and researchers have made significant headway in understanding what works in preventing young people from engaging in high risk behaviors. In particular, a new consensus has emerged that current prevention programs often are too problem-focused and do not go far enough in strengthening youth skills and competencies. But the absence of problems does not guarantee that young people are ready to join the workforce, create healthy families and contribute to their communities.

Positive youth development (PYD) programs, in contrast, focus on building competencies, and not just reducing problems. Rather than seeing youth as a series of problems to be solved, PYD programs build on the assets of youth and empower them to be part of the solution, not just the recipient of services. As such, PYD programs provide youth with opportunities for ongoing relationships with caring adults; safe places with structured activities during and/or after school hours; services that promote healthy lifestyles; and opportunities to acquire marketable skills and competencies.

PYD programs also would help to counter what Orlando Patterson of Harvard University calls a “cool-pose culture” consisting of “hanging out on the street after school, shopping and dressing sharply, sexual conquests, party drugs, hip-hop music and culture.” Patterson contends that while affluent youth dabble in the ‘cool-pose culture,’ lower-income youth become entrapped by it, and as such is largely responsible for the difficulties facing many low-income youth and young adults.

How will it impact poverty and enhance poverty alleviation?

Too many low-income youth enter adulthood without the necessary skills, attitudes and behaviors necessary to be successful in the paid labor force. As a result, too many develop only a marginal connection to the economic mainstream and slip in and out of poverty. Increasing the availability of positive youth development programs in low-income communities can help youth develop the skills, attitudes and behaviors necessary to be successful in the workplace when they become adults. PYD programs also offer promise in countering the allure of the “cool-pose culture” which many believe contributes to attitudes and behaviors that are antithetical to success in the economic mainstream. As such, PYD programs can have a significant role to play in long-term poverty reduction.

Strategy Option Three: Provide Support for Healthy Marriages through Marriage

Penalty Reduction and Expanding Availability of Healthy Marriage Education

Services

Over the last forty years, marriage has become increasingly less common. Indeed, the percentage of children living outside of a two-parent, married household now

approaches 35 percent. In low-income communities, the percentage is substantially higher.

There is now almost universal agreement among social scientists and policy makers that family fragmentation contributes to poverty. Indeed, research consistently indicates that married adults, on average, are wealthier than non-married adults, and that children living in married households are less likely to be poor than those living in non-married households.

One way to help support marriage in low-income communities is to increase the economic prospects of both men and women. Indeed, public policies aimed at increasing the economic prospects of low-income men and women have been found to increase the formation and stability of marriages in low-income communities, although the magnitude of these effects is often quite small. In addition, many low-income couples are faced with significant financial marriage penalties should they choose to get married. Hence, public policies designed to reduce marriage penalties for low-income couples hold promise for increasing the formation and stability of healthy marriages as well.

But marriage is influenced by more than just economics. That's because at its core marriage is a relationship. And for relationships to be successful, both parties must have the skills necessary to sustain it, such as the ability to listen to one another with respect, communicate effectively, and problem solve conflict in healthy ways.

Hence, a third way to reduce poverty for children and adults is to increase the formation and stability of healthy marriages. This can be accomplished both by reducing the marriage penalties inherent in many current welfare programs and by providing

greater access to relationship education services for low-income men (and women) to increase their ability to negotiate relationships in healthy ways, including marriage.

Why is this important?

Many low-income men and women have difficulty not only in the paid labor force, but also with intimate relationships. In particular, marriage rates for low-income couples are relatively low; and those that do get married experience more marital instability than their more affluent peers.

This is not to presume that everyone should be married. Marriage is a complex institution, which forms, or fails to form, and succeeds, or fails to succeed, for many reasons. And, of course, domestic violence is an important issue to address when it comes to marriage and other intimate relationships. But research consistently shows that adults who are married live longer, create more wealth, and experience greater happiness than those who are not.

One way to increase marriage rates is to decrease marriage penalties for low-income couples. In some cases marriage penalties occur because tax or transfer program rules explicitly differ for married and single people. Many marriage penalties, however, are inherent in the nature of means-tested programs that are designed to give greater benefits to lower income households. Tax rates generally climb and transfer benefits fall as income rises. Thus two individuals in the lowest tax bracket may move up to a higher tax bracket when they marry because their combined income is higher. Similarly, a woman receiving public assistance may lose her benefits if she marries a working man. In these cases, if the individuals did not marry, the sum of their net incomes would be higher than their net income as a married couple.

The size of the penalties can be quite large. Consider, for example, a woman with two children ages 1 and 5 living in District of Columbia. In this example, the woman works 20 hours a week for \$7 an hour, has no assets, and has child care costs of \$200 per month. She receives TANF, Food Stamps, WIC, housing assistance, and a subsidy that offsets some child care costs. The father of her children works 40 hours a week for \$7 an hour and pays \$200 in child support. If they were to marry, the father would be able to claim extra deductions and credits on his taxes. However, the mother would lose her TANF benefits, and her food stamps, child care subsidy, and housing benefits would be reduced. The couple's net income would drop by about \$4300 a year. While their living expenses would likely fall because it is less expensive to maintain one household rather than two, the loss of \$4,300 a year in income (or eleven percent of their total net income) is not insignificant.

Indeed, a 2005 study by Adam Carasso and Gene Steuerle of the Urban Institute demonstrates that in aggregate, unmarried couples face hundreds of billions of dollars in increased taxes or reduced transfer benefits if they marry. These penalties potentially present a significant disincentive for marriage.

But reducing marriage penalties is not enough. For a marriage to be successful, both parties must have the skills necessary to sustain it, such as the ability to listen to one another with respect, communicate effectively, and problem solve conflict in healthy ways. By increasing access to relationship education skills training, one increases a couple's ability to negotiate relationships in healthy ways, including marriage.

Of course, programs that seek to help couples form and sustain healthy marriages should not be a substitute for other approaches to improve the economic well-being of

adults and children. Nor should such policies trap anyone in an abusive relationship. Domestic violence is a terrible problem which deserves our constant vigilance. But given the empirical evidence of the economic benefits of healthy marriage to both adults and children, one way -- not the only way, certainly, but one way -- to enhance the economic prospects of adults and children is for public policy to help couples form and sustain low-conflict, healthy marriages.

How will it impact poverty and enhance poverty alleviation?

Among married men, researchers find a consistent earnings boost as a consequence of marriage and having children. Indeed, economists estimate that this “male marriage premium” increases the earnings of married men from 12 to 30 percent above what single or cohabiting men earn. While marriage effects on the earnings of women are more complicated, marriage does substantially reduce the risk that women will live in poverty as well. Indeed, economist Robert Lerman, using data from the Current Population Survey (CPS), found that poverty would be reduced by 80 percent if single mothers were to marry single males of the same race and similar in age and education levels.

Marriage is also a wealth generator in that married couples, compared to the unmarried, have a greater ability to save money over time and generate a higher net worth. Moreover, children are seven times less likely to live in poverty than children of single parents.

While there are many factors that contribute to poverty, providing couples who have chosen marriage for themselves with relief from marriage penalties in welfare programs and access to relationship enhancement and marriage education services, where

they can learn the skills necessary to form and sustain a healthy marriage, shows promise for reducing poverty in the U.S.

Readings for Additional Information

Policy Strategy Option One: Focus on Improving the Connection of Low-income Men to the Paid Labor Force

Lerman, R.I. (forthcoming) "Apprenticeship in the United States: Patterns of Governance and Recent Developments.

National Research Council (1993) "From School to Work," Losing Generations: Adolescents in High-Risk Settings, 125-150.

Silverberg, M., Warner, E., Fong, M., and Goodwin, D. (2004) National Assessment of Vocational Education: Final Report to Congress. Jessup, MD: U.S. Department of Education.

Policy Strategy Option Two: Invest in Community-Based Positive Youth Development Activities

Brown, R., and Evans, W.P. (2005) "Developing School Connectedness in Diverse Youth through Extracurricular Programming," The Prevention Researcher 12(2), 14-17.

Hawkins and Catalano (1999) Positive Youth Development in the United States: Research Findings on Evaluations of Positive Youth Development Programs, US Dept. of Health and Human Services.

Larson, R., Eccles, J., and Gootman, J.A. (2004) "Features of Positive Developmental Settings," The Prevention Researcher 11(2), 8-13.

Policy Strategy Option Three: Support Healthy Marriages through Marriage Penalty Reduction and Expanding Availability of Healthy Marriage Education Services

Acs, G. and E. Maag (2005) "Irreconcilable Differences? The Conflict between Marriage Promotion Initiatives for Cohabiting Couples with Children and Marriage Penalties in Tax and Transfer Programs," Urban Institute.

Amato, P. R. and R. A. Maynard (2007) "Decreasing Nonmarital Births and Strengthening Marriage to Reduce Poverty," The Future of Children 17(2), 117-141, Fall 2007.

Haskins, R. (2007) "Fighting Poverty through Incentives and Work Mandates for Young Men," *The Future of Children*, Fall, 1-7.

Haskins, Ron and I. Sawhill (2003) "Work and Marriage: The way to End Poverty and Welfare," *Brookings Institution Policy Brief (Welfare Reform & Beyond #28)*, Washington, D.C.

Lerman, R. (1996) "The Impact of the Changing U.S. Family Structure on Child Poverty and Income Inequality," *Economica* 63, S119-S139.

Thomas, A. and I. Sawhill (1999) "For Richer or for Poorer: Marriage as an Antipoverty Strategy," *Journal of Policy Analysis and Management* 21(4), 587-599.