WHAT CAN REDUCE POVERTY IN THE US

PERPETUAL MAINGI

Since the 1960s, America has made major strides in poverty reduction, and yet there are still 35 million people living in poverty in the United States. What’s more, poverty would be twice as high if not for decades of significant investments through social security, unemployment insurance, nutrition assistance, and low-income tax credits, among other successful anti-poverty programs. However, the concerning reality is that the COVID-19 pandemic and associated economic fallout changed those gains, putting individuals and families at a greater risk of being pushed into poverty. Nevertheless, I have a few policies or tools that can prevent further increases in poverty.

* Create good-paying jobs that meet family needs

Rebuilding the economy in an equitable way requires the creation of millions of new, good-paying jobs in key industries, with significant worker protections to ease the burden on working families. Before the pandemic shut down much of the country, unemployment stood at 3.5 percent, but by April 2020, unemployment had risen to almost 15 percent. A year later, hiring is on an upward trajectory, but unemployment is at 5.8 percent, which is still considerably higher than pre-pandemic numbers.

While the uptick in employment is a good sign, the same people who struggled before the crisis are still being left behind: The unemployment rates for Black and Hispanic individuals stand at 9.1 percent and 7.3 percent, respectively, compared with a 5.1 percent unemployment rate for white people. Similarly, the disability community continues to experience difficulty regaining employment, with 10.2 percent remaining unemployed as of May 2021. It is not the first time these communities have seen large unemployment gaps compared with their white and nondisabled peers, as such gaps were consistently present even in the months leading up to the pandemic, when unemployment was low.

Creating the jobs needed to build an equitable U.S. economy requires federal investment. The American Jobs Plan is centered on investing $2.3 trillion to create new jobs by rebuilding roads and bridges, creating a green energy economy, expanding essential jobs in the caregiving sector, supporting domestic manufacturing, and ensuring that these jobs provide decent wages and benefits and are accessible to Americans from all walks of life. If passed, the American Jobs Plan could reform and rebuild the economy by significantly shrinking the gap of 7.6 million jobs lost since February 2020 and by allowing people to build financial security and save for the future.

* Expand access to health care

Since it was signed into law in 2010, the Affordable Care Act (ACA) has expanded access to high-quality, affordable health coverage for millions of Americans, especially those with pre-existing conditions. Today, 31 million Americans are enrolled in coverage through the ACA marketplaces or the law’s expansion of Medicaid. However, 12 states continue to refuse to expand their Medicaid programs to cover adults making up to 138 percent of the federal poverty guideline placing a heavy burden on families already on the brink. About 2.2 million uninsured people are without an affordable option for health insurance because they live in no expansion states and have incomes too low to qualify for marketplace premium tax credits.

Expanding Medicaid would mean more than just access to health care; it would give people financial protection from unexpected medical costs and free up limited household income for other basic needs such as paying rent and putting food on the table. Increases in Medicaid enrolment are associated with reduced rates of medical debt and other unpaid bills among low-income individuals. Studies also link Medicaid coverage to improved access to health care services, greater financial security, lower mortality rates, reduced racial health care disparities, and lower rates of eviction.

While the American Rescue Plan included increased federal Medicaid funding for two years as an incentive to encourage more states to expand their programs, it is unlikely that the remaining no expansion states will take up this option. Congress has an opportunity to enact federal policies that ensure people in the Medicaid coverage gap can gain access to affordable, comprehensive health insurance.

* Provide permanent paid family and medical leave and paid sick days

The United States is the only industrialized nation in the world to not guarantee workers access to any paid leave. As of March 2020, an estimated 25 percent of private sector workers—and 69 percent of workers earning less than $11 per hour—did not have access to a single paid sick day. Additionally, in 2020, 4 in 5 private sector workers lacked access to any paid family leave for longer-term family caregiving needs; and the disparity was worse among the lowest-wage workers, where 95 percent did not have access to paid time off.

This puts workers in the impossible position of having to forgo needed income, or even their job, to recover from an illness or care for a sick family member. Every year, workers and their families lose an estimated $22.5 billion in wages due to a lack of access to paid family and medical leave. While Congress addressed this need during the pandemic by providing temporary emergency paid sick leave and emergency paid child care leave through the Families First Coronavirus Response Act, loopholes and exemptions excluded millions of workers. The program also became voluntary in 2021, meaning employers can now refuse to offer paid leave again.

Congress must prioritize passing paid sick leave and permanent paid family and medical leave, particularly to support the lowest-income earners. Several proposals—including the American Families Plan, the Family and Medical Insurance Leave (FAMILY) Act, and the Healthy Families Act—have been introduced to address this issue. They include comprehensive paid family and medical leave, allowing workers to take time off work to recover from a health condition, care for a child or loved one, or grieve the loss of a loved one.

* Expand safety net programs to benefit all in need

Safety net programs can help people weather a variety of economic crises by meeting basic needs and providing stability. Yet the pandemic has exposed just how sadly inadequate America’s safety net structure is. For example, before the pandemic, state unemployment insurance (UI) did not cover monthly expenses anywhere in the country and excluded millions of others due to their work classification, previous earnings, length of employment, or immigration status.

The Coronavirus Aid, Relief and Economic Security (CARES) Act provided a temporary $600 weekly boost to UI, lifting millions out of poverty before that provision was allowed to expire at the end of July 2020. The American Rescue Plan continued a $300 weekly supplement to UI that started in December 2020, providing an income to millions of long-term unemployed and self-employed workers, independent contractors, gig workers, and others. Unfortunately, this supplement and the other temporary federal UI expansions are set to expire nationally on September 6, 2021. To make matters worse, at least 26 governors have pledged to end some or all of these programs even sooner, cutting benefits for 4.7 million people and severely affecting their ability to recover from the pandemic.

Similarly, programs such as the Supplemental Nutrition Assistance Program (SNAP), intended for those with the lowest incomes, have not done enough to prevent hunger and food insecurity in America. Even before COVID-19 hit, the inadequate benefit amounts forced 45 percent of SNAP recipients to limit the food they ate or skip meals just to make it through the month; and nearly a third of SNAP recipients had to visit a food pantry to keep themselves fed. From December 2019 to December 2020, the demand for charitable food assistance rose by nearly 50 percent. This was especially prevalent for households of colour, households with children, and people with disabilities. Fortunately, the American Rescue Plan contained significant expansions in food assistance programs to help mitigate the high levels of hunger seen throughout the crisis. But more must be done. Lawmakers must expand eligibility for SNAP, ensuring that currently excluded groups—including undocumented immigrants and many college students are able to receive necessary food assistance. Burdensome work requirements that only serve to push people away from assistance, rather than encourage work, should also be eliminated.

Temporary expansions of the safety net are not enough to help the millions of Americans who are still struggling with the economic and health fallout from the pandemic. Congress must continue to invest in and modernize safety net programs, ensuring that benefit levels are expanded and more accessible than they were before the crisis. It should also consider implementing automatic triggers that would expand benefits during future economic shocks, such as recessions, without the need for legislative intervention. Not only would this prevent people from falling into poverty while Congress argues over how much relief is necessary, having a system that automatically triggers expanded benefits would also help soften the blow of future recessions and stimulate the economy by giving money to people who desperately need it in a timely fashion.

* Help More Families Afford Housing

Rental assistance sharply reduces homelessness, housing instability, poverty, and other hardships. A growing body of research also finds that rental assistance can improve families’ health, as well as children’s chances of long-term success, particularly if it enables families to live in safe, low-poverty neighbourhoods with good schools. Due to inadequate funding, however, just 1 in 4 families with children eligible for housing assistance receives it.The NAS report finds that providing vouchers to 4.9 million more low-income families with children, so that 70 percent of the eligible families with children not currently receiving housing assistance receive it, would itself reduce the number of children in poverty by more than one-fifth.

Even a smaller expansion in housing assistance would have a significant positive impact on children’s living conditions. For example, creating an additional 500,000 housing vouchers for families with children under age 6 and assisting interested families in moving to high-opportunity areas could largely eliminate homelessness among families with young children and substantially reduce the number of children growing up in neighbourhoods of concentrated poverty, a Centre analysis finds.

Policymakers must also act to preserve affordable housing in gentrifying communities and improve neighbourhoods where low-income families with children already live, regardless of whether they receive a housing voucher. As part of a longer-term strategy, they should invest in programs that increase incomes, enhance safety, and improve educational performance in high-poverty, low-opportunity neighbourhoods and in communities of colour, thereby improving the places where many families will continue to want to live.

### Raise the minimum wage to ensure economic stability for all

It is time for Congress to raise the federal minimum wage to meaningfully improve living standards for millions of Americans. Today’s federal minimum wage is just $7.25 per hour, which is about $15,000 annually for a full-time job. It has not been raised in more than a decade and is not enough to keep a one-adult, one-child household out of poverty. This is not how the minimum wage was intended to work: In the late 1960s, a full-time worker earned $1.60 per hour at minimum wage, which is equivalent to more than $12 per hour in today’s dollars.

There are also many workers who earn less than minimum wage, or a “subminimum wage.” Tipped workers are only guaranteed a subminimum wage of $2.13 federally, despite evidence from states demonstrating that ending the subminimum wage nationwide would significantly decrease poverty and inequality without hurting employment.

Subminimum wages are also an issue for disabled workers. In 1938, the Fair Labour Standards Act authorized employers, after receiving a certificate from the Wage and Hour Division, to pay below minimum wages to workers with disabilities. Workers who fall under this classification are paid an estimated average of $2.15 per hour. This is just one of the many reasons why in 2019, at least 1 in 4 disabled people lived under the poverty line.

The Raise the Wage Act would gradually lift the federal minimum wage to $15 per hour by 2025 and index it to median wage growth thereafter so that the minimum wage would automatically increase when wages rise nationally. The bill would also phase out the subminimum wage for tipped employees, teenagers employed for 90 days or less, and disabled workers. These changes would lift up to 3.7 million Americans out of poverty and especially benefit people of colour, women, and people with disabilities, who are disproportionately represented in low-wage jobs.

### Increase worker power to rebalance the labour market

Union representation is a key protection against the exploitation of and discrimination against workers. Unions help their members to negotiate with employers for decent wages and benefits and to ensure that working people have a voice in U.S. democracy by promoting progressive priorities, including state and local minimum wage increases. Research shows that unions increase workers’ wages and benefits, boost economic mobility in future generations, decrease poverty, improve workers’ general well-being, and close gender and racial wage and wealth gaps. In the midst of mass layoffs as states shut down last year, unions were able to negotiate furlough and work-share arrangements with employers to help members keep their jobs. Yet in 2020, only 12 percent of essential workers were covered by a union contract, and workers seeking to unionize face an uphill battle.

Passing the Protecting the Right to Organize (PRO) Act would increase worker power by creating new penalties for employers who retaliate against workers trying to organize, banning forced arbitration agreements that prevent workers from pursuing collective litigation, adopting a new set of employer guidelines to prevent employees from being misclassified as independent contractors, and ensuring that workers can bargain in the modern economy. In addition, the Public Service Freedom to Negotiate Act would provide essential protections for millions of public sector workers to organize and bargain collectively. By ensuring that employers are responsible to their workers during the pandemic, they can share the benefits of recovery as the economy opens back up.

Furthermore, policymakers must build worker protections into at-will employment and just-in-time scheduling to ensure fair labour and workplace standards.

### Make permanent increases to the child tax credit and earned income tax credit.

Two of the nation’s most effective anti-poverty tools, the child tax credit (CTC) and earned income tax credit (EITC), lifted 7.5 million Americans out of poverty in 2019.

Both programs provide a reliable source of income to parents, helping them meet immediate needs and plan for the future while making them more financially stable on a day-to-day basis. These programs also pay long-term dividends by improving infant and maternal health outcomes while boosting the educational, health, and income potential of future generations.

The American Rescue Plan Act was able to close some glaring holes within the tax credits by:

* Making the CTC fully refundable so low-income parents can get the full credit if their tax liability is less than their credit amount by paying them the difference
* Increasing the amount of the CTC to $3,600 for children under 6 and $3,000 for children ages 6 to 17
* Distributing the CTC monthly instead of all at once at tax time
* Nearly tripling the maximum EITC for workers who are not raising children in their home
* Revising the eligibility requirements to make EITC accessible to workers ages 19 to 24, as well as workers who are 65 and older
* Extending the credits or providing supplemental funding to Puerto Rico and other U.S. territories

However, these changes are temporary and will expire in 2022. Considering that the changes to the CTC alone were estimated to lift nearly 4 million children out of poverty, the best way to ensure that these credits continue to support low-wage workers and families with children is to make them permanent. Policymakers must also make the CTC as accessible as possible by removing barriers for immigrant families.

### Support pay equity to create a fair labour market

Equal pay ensures that workers are paid fairly. In 2019, women working full time, year-round earned just 82 cents for every $1 earned by their male counterparts. This pay gap is even worse for women of colour: For every dollar earned by white, non-Hispanic men in 2019, Black women earned 63 cents, Native women earned 60 cents, and Latinas earned 55 cents. And while Asian American and Pacific Islander (AAPI) women, on average, earned 85 percent of what white, non-Hispanic men earned, there were much wider gaps for many AAPI sub-populations. Disabled women also struggle with a pay gap, receiving 80 cents for every dollar earned by men with disabilities. If women in this country received equal pay to men, poverty for working women would be reduced by half and $512.6 billion would be added to the economy through additional wages.

What’s more, equal pay is essential to helping workers attain the stability and savings necessary to weather current and future crises. The pandemic has stalled women’s economic progress, as a lack of access to child care and paid leave, coupled with mass job losses, has forced many women out of the workforce entirely, exacerbating the gender wage gap. For example, mothers of young children have lost jobs at three times the rate of fathers during the crisis. This is on top of ever-present compounding factors such as bias and discrimination that may deflate women’s earnings.

Passing the Pay check Fairness Act would enhance existing equal pay protections, further combat discriminatory practices, and better hold employers accountable for pay discrimination. Pandemic or not, securing equal pay has always been essential to the economic security of women and families.

### Invest in affordable, high-quality child care and early childhood education

More than half of all Americans live in a child care desert, where child care shortages lead to waiting lists, job disruptions, and fewer mothers in the paid labour force. Child care in the United States is prohibitively expensive, with infant and toddler care often costing between $800 and $1,230 a month. While there are subsidies for low-income families, in most states, they reach fewer than 1 in 10 eligible children under the age of 6. As a result, low-income families can spend more than one-third of their income on child care just to be able to work.

Not surprisingly, the pandemic has eviscerated child care across the United States. About 700,000 parents left the workforce in 2020 to care for young children who were not able to go to school or have access to child care. Since then, only half of the nearly 400,000 child care jobs lost at the start of the pandemic have returned, leading to a 144 percent increase in the number of parents who have missed work to care for children compared with 2019.

The $39 billion for subsidized child care that was already included in the American Rescue Plan will help providers recover from a year of unprecedented revenue losses, but additional funding is needed to expand these services to everyone who needs them. The American Families Plan would make significant investments in universal preschool for 3- and 4-year-olds, which would help more struggling families obtain the child care they need to work, better meeting their families’ basic needs and building future economic stability. The plan would also cap child care costs for low- and moderate-income families at 7 percent of their income, making it far more affordable and manageable as they juggle other needs.

Another bill currently introduced in Congress, the Child Care for Working Families Act (CCWFA), would ensure free or affordable child care for 76 percent of working families with children under the age of 6, expanding quality care for millions of families. As Congress deliberates future funding, it must invest in affordable, high-quality child care and early education, providing parents with the means to foster family security and healthy child development.

### Reform the criminal justice system and enact policies that support successful re-entry

Robust changes are needed to restructure and reform a U.S. criminal justice system that incarcerates more of its citizens than any other country in the world, holding about 2.3 million people in prisons, jails, and other correctional facilities. If not for the rapid increase in mass incarceration since 1980, poverty rates would have dropped by 20 percent by 2009. The impact on communities of colour is particularly staggering: Black and Latino men are, respectively, 6 times and 2.5 times more likely to be incarcerated than white men; and Black and Latina women are, respectively, 1.7 times and 1.3 times more likely to be incarcerated than white women. Likewise, Native Americans are incarcerated at more than twice the rate of white Americans.

Mass incarceration is a key cause and consequence of poverty. When a person is incarcerated, their family must find a way to make ends meet without a necessary source of income. Additionally, even a minor criminal record or an arrest without a conviction can prevent an individual from getting a job, housing, or certain benefits, contributing to cycles of multigenerational poverty. Currently, there are more than 44,000 legal sanctions that create barriers to housing for people with criminal records. Moreover, various restrictions prohibit justice-involved individuals’ access to SNAP and Temporary Assistance for Needy Families (TANF) benefits if they have prior felony drug convictions, unless additional requirements are fulfilled. This can include being required to wait for months after completion of a sentence to be considered eligible or to participate in mandatory periodic drug testing, both of which are unnecessary obstacles that hinder successful re-entry.

Sentencing reform is essential to addressing mass incarceration. Policymakers should also implement clean slate laws, which help expand access to automated criminal record clearing, and explore alternatives to incarceration, such as diversion programs for individuals with mental health and substance abuse challenges. Additionally, it is critical to review the role of policing in public safety, health, and well-being. There has been a recent move across the nation to divert away from police certain health, public safety, and community care emergency responses and funds—such as responding to people experiencing a mental health crisis—that better fit agencies and social workers. Barriers to employment, housing, education, and public assistance must also be removed. A decades-old criminal record should not consign an individual to a life of poverty.

### Modernize the Supplemental Security Insurance program

Supplemental Security Insurance (SSI) is an essential anti-poverty program for the disability community, providing monthly cash assistance for those with little or no income and assets. Nearly 8 million people received benefits in May 2021, and in 2019, 57 percent of recipients reported SSI being their sole source of income. However, little has been done to maintain this program, leaving millions of disabled people farther and farther behind.

Numerous policy adjustments could update SSI and help pull the disability community out of poverty. Raising the minimum benefit to at least the poverty level is a great first step. In 2021, the maximum benefit for individuals was raised to $794 per month, which is well below the federal poverty guideline of $1,073 per month. Asset limits also need to be increased, as they have not been updated since 1989. Currently, individuals and couples are allowed limits of $2,000 and $3,000, respectively, in assets, such as money in joint or personal bank accounts, investments in stocks or bonds, and life insurance policies with a total face value of more than $1,500. Asset limits have become deadly poverty traps, particularly in times of disaster such as the pandemic, as they prevent recipients from being able to save, forcing them into economic stress. Other rule changes, including the elimination of penalties for in-kind support from family and friends and an update to income disregards that have not been changed since the program began in 1974 would go a long way toward ensuring that this program remains a strong safety net for disabled adults and children.

The continued disinvestment in SSI has essentially reduced its efficacy, putting disabled people on the brink of poverty and destitution. Prioritizing the economic security of such marginalized communities helps ensure the security of all communities. Congress must act now to help the disability community not only weather the pandemic but also build a stable financial future.

* Develop and implement rapid and sustained economic growth policies and programs.

In areas such as health, education, nutrition and sanitation, allowing the poor to participate and contribute to the growth. Studies show that a 10 percent increase in a country’s average income reduces poverty by as much as 20-30 percent.

From 1959 to 1973, a strong economy, along with investments in family, economic security, helped cut the U.S. poverty rate in half. Investments in nutrition assistance have resulted in improvements in educational attainment, food insecurity, and health outcomes. Expansions of public health insurance have contributed to lower infant mortality rates and better overall health and health care access for children at a reduced out-of-pocket cost. Rental assistance programs have been shown to decrease stress, eviction, and homelessness among low-income renters. And expansions in tax credits for poor families have helped boost incomes for the next generation, on top of improving educational and health outcomes.

In conclusion, America has the power and ability to ensure that all people residing within its borders can build financial stability and live their lives with dignity. The policies detailed above are essential for preventing poverty and promoting economic opportunity so that all residents can attain their American dream.

References

*Combating Pay Gaps with Unions and Expanded policies gives Bargaining*

*The Rising Cost of Inaction on Work-Family Diversities*

*Building an Economy That Supports All Children Requires Raising the Minimum Wage*

*The Path to Higher, More Inclusive Economic Growth and Good Jobs*

*You Can’t Afford to Live Anywhere in the United States Solely on Unemployment Insurance*

*Facts and statistics about poverty in America have been sourced from Save the Children’s monitoring and evaluation experts, as well as our thought leadership publications, including our U.S. Childhood Report.*

*Centre on Budget and Policy Priorities www.cbpp.org*