

*45 million people live in households that exist on less than 200 percent of America's official poverty line. 40 percent of America's children – 30 million kids – grow up in these households. One in three working families are finding that employment does not guarantee a decent living standard. One in five families find that their wages...do not cover their household bills and costs for the area in which they live. These are the families who confound the American Dream...[t]hey work hard and play by the rules – and yet...they are not getting ahead in the modern economy.<sup>1</sup>*

Why are these working families unable to get ahead? And what are the implications of this struggle for their children? In her paper, “Living on the Edge: America's Low-Earning Families”, Sophia Parker traces the current predicament of these households to three central issues: rising inequality in the U.S.; stagnating wages in the middle of the economy; and an increase in low-quality, precarious work.

In making the connection between the above issues and the steady increase in child poverty in America over the last decade, Parker explains, “it is a reminder that in today's economy, low paid work is as significant as unemployment in explaining child poverty”. And to effectively tackle child poverty, it is important to consider “standards of living as well as income alone”.

Rising inequality and an increased prevalence of low-quality, low paid work pose a serious threat to today's children and future generations. Parker's thorough analysis of this challenge suggests a number of improvements that can be made to current policy:

## **ENSURING A DECENT INCOME**

*Updating the Federal Poverty Measure:* In order to ensure a decent income for families with children, we first need to ensure we define that level of income in an accurate way. Currently, the federal poverty threshold for a family of four is about \$22,000 per year. However, many argue that that amount is not actually enough to meet a family's basic needs. Over 130 cities now calculate ‘living wages’ – the minimum level of income required to support a family's basic cost of living, including food, housing, healthcare, child care, and transportation. Moving forward, the Obama Administration has announced that a supplemental poverty measure (one that subtracts out income not available to meet basic needs and takes into account effect of antipoverty policies and some geographic cost-of-living differences) will be released alongside the regular Census data in fall 2011. This is an important step forward in identifying who is truly economically secure in the U.S.

*Increasing the Minimum Wage:* When adjusted for inflation, the current U.S. minimum wage (\$7.25 per hour) was worth less in 2010 than it was in 1955. And in terms of keeping families out of poverty, the minimum wage has only averaged about two-thirds of the federal poverty line since 1959<sup>2</sup>. Congress raised the minimum wage in 2006 for the first time in a decade, but further increasing the low value of this low standard wage would go a long way

towards stabilizing the finances and economic security of America's low-earning households. In fact, when the U.K. government established their child poverty reduction target, one of the first policy changes that entailed was the establishment of a national minimum wage (higher than that of the U.S.) and indexed to inflation. And this measure was ultimately supported by all political parties, including Conservatives, because it was recognized as "being a key element in providing an income above the poverty line for families with children – and an element that does not entail government spending"<sup>3</sup>. Increasing the U.S. minimum wage and ensuring that it is automatically updated with inflation (to avoid continual legislation) would make a significant difference to America's working families.

*Improving Family Tax Credits:* As Parker notes, tax credits "have proved more popular politically than wage regulation when it comes to improving incomes for low earners". And the increased support for tax credits has made a significant difference in children's lives. The Earned Income Tax Credit and the Child Tax Credit currently represent the top two sources of federal expenditure on children (after Medicaid) – making these credits a key source of investment in the economic security of the children in families who receive them. Critical improvements to these credits, along with the child care credit, are currently secured through the end of 2012, but the long-term goal should be to make the improved version of these credits permanent.

## **ENCOURAGING QUALITY WORK**

*Paid Sick Days & Paid Family and Medical Leave:* Close to 40 million working Americans do not have a single paid sick day available through their jobs and millions more lack paid sick time that can be used to care for someone other than themselves, such as a sick child. And for longer-term illness or occasions such as the birth of a child, while there exists a period of job protection under the Family and Medical Leave Act (FMLA), this leave is unpaid and the large majority of workers cannot afford to take leave due to the potential financial hardship that would result from a lack of pay. While some employers already provide both, many – particularly in the low-wage sector – do not. Models of how to implement paid sick day and leave policies exist on the state and local level around the U.S., as well in a multitude of other countries. Such successes can be replicated at the national level. Federal paid sick day and paid family and medical leave policy will improve the health of workers and their families and ensure that our workplace policies protect families and promote productivity, improved health outcomes, and quality of life for children and their families.

*Temporary Assistance for Needy Families (TANF):* Since 1996, TANF has been a primary force behind the increased employment rates of low-income, single heads of household (mostly women) with children. However, there still remains a question of the quality and sustainability of the employment these women have entered into (e.g. wage rates, benefit packages, on-the-job training, and ability for progression). Given Parker's identification of low paid work as a culprit behind rising child poverty, we need to ensure that employment-focused programs for low-wage families such as TANF result in the attainment of *quality* work – and that programs such as TANF recognize the relationship of quality work to improved child well-being. Indeed, reforming TANF and making the reduction of child poverty and the improvement of child well-being key tenets of the program may go a long way towards increasing the attainment of quality, sustainable employment for parents.

**Child Care:** Parents that are working should be able to afford quality care for their children. However, quality care can be expensive – and not just for families on low earnings. Middle-income families (with annual earnings of \$56,000 - \$98,000 per year) spend between \$11,650 - \$13,530. Such amounts would cripple low-earning families, but federal assistance for child care is piecemeal at best. Only 1 out of 6 children eligible for help through the Child Care and Development Block Grant (CCDBG) receives it, and many states have long waiting lists and restrictive eligibility. Indeed, in 13 states, a family living near poverty (around \$27,000 per year) does not qualify for child care assistance.<sup>4</sup> But working families still require child care and as a result, estimates suggest the more than 40 percent of infants and toddlers are in substandard care environments. Expanded access to quality child care providers and increased funding for and improvements to the CCDBG will help give low-income families the support that they deserve.

## **BUILDING ECONOMIC SECURITY**

**Dual Generation Strategies:** As do most working families across the income spectrum, low-earning families constantly balance their own employment and training pursuits with the needs of their children. Dual generation strategies seek to combine parents' workforce development with high-quality early education and care for their children. Such strategies seek to improve families' access to high-demand sectors of the labor market, such as healthcare, while also breaking the intergenerational cycle of low earnings and poverty by building a strong educational start for the next generation. Programs that utilize dual generation approaches are currently in place in a few areas of the country, though vary in scale. Increased federal and state attention and investment in such strategies will help promote the economic mobility and success of more low-income families.

**Unemployment Insurance:** The Great Recession dramatically increased the number of children with an unemployed parent, as well as the number of youth themselves unemployed. In 2010, more than 1 in 10 children had at least one parent unemployed<sup>5</sup>. Unemployment benefits kept 3.3 million families (1 million children) from falling into poverty in 2009 alone<sup>6</sup>. Congress made important changes to the Unemployment Insurance (UI) program in 2009, making it possible for states to expand program eligibility to more part-time and low-income workers, as well as provide additional targeted benefits to unemployed adults with children. The federal government should continue to encourage states to take up these expanded eligibility options that will serve more low-earning households with children.

**Affordable Housing<sup>7</sup>:** A large body of research links inadequate or insecure housing to negative outcomes for children. And so, as families attempt to recover from the economic downturn, access to safe, stable, and affordable housing is critical. Unfortunately, the federal government's housing voucher program, Section 8, has not kept pace with need in recent years and there is a significant gap between available supply and demand for assistance among lower-income households. And the struggle is not limited to renters, as up to 2 million children have been affected by foreclosures<sup>8</sup> during the recession. It is critical that we expand the stock of affordable and accessible housing for families with children. And as we continue to navigate the foreclosure crisis, we must take into account the potential implications of housing-related policies on child well-being. The federal government should ensure that housing assistance, in whatever form, is accessible to all who need it and free from overly burdensome eligibility requirements.

*Child Savings Accounts:* The economic security of children depends not only on the flow of income into the household, but also the possession and development of assets. Research has shown that a family’s savings and assets have a significant effect on the future economic security of their children – with a family’s level of savings having a higher correlation to the next generation’s upward mobility than even level of income. Assisting households in developing lifetime savings accounts specifically for children will develop positive savings behaviors while also building a strong financial basis for future educational and personal growth opportunities.

## CONCLUSION

Achieving true economic security requires progress to be made on a number of fronts, as the collection of recommendations above reflects. Improving any one of these areas will help families ‘living on the edge’. Ultimately, however, our nation must tackle the underlying causes of our continually rising income inequality if we are to truly ensure that our nation’s next generation will fare better.



First Focus is bipartisan children’s advocacy organization dedicated to making children and families a priority in federal policy and budget decisions. For more information, contact Megan Curran, Senior Director of Family Economics.  
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<sup>1</sup> Parker, Sophia. 2011. “Living on the Edge: America’s Low-Earning Families”. Washington D.C.: First Focus.

<sup>2</sup> <http://oregonstate.edu/instruct/anth484/minwage.html> (Accessed June 2011).

<sup>3</sup> Waldfogel, Jane. 2010. “Tackling Poverty and Improving Child Well-Being: Lessons from Britain”. Washington D.C.: First Focus.

<sup>4</sup> National Women’s Law Center, December 2010.

<sup>5</sup> [http://www.ffcampaignforchildren.org/sites/default/files/First%20Focus\\_Unemployed%20Parents%20%20Kids.pdf](http://www.ffcampaignforchildren.org/sites/default/files/First%20Focus_Unemployed%20Parents%20%20Kids.pdf)

<sup>6</sup> National Employment Law Project “3.3 Million People Kept Out of Poverty with Unemployment Benefits in 2009” September 2010;  
[http://nelp.3cdn.net/0e404890d4fcffaec3\\_ycm6bnaye.pdf](http://nelp.3cdn.net/0e404890d4fcffaec3_ycm6bnaye.pdf)

<sup>7</sup> For additional information and policy recommendations, see Houshyar, Shadi and Megan Curran. 2010. “The Effect of the Recession on Child Well-Being: First Focus Policy Recommendations – Housing Stability”. Washington D.C.: First Focus.

[http://www.firstfocus.net/sites/default/files/Rec\\_Housing\\_FactSheets.pdf](http://www.firstfocus.net/sites/default/files/Rec_Housing_FactSheets.pdf)

<sup>8</sup> Isaacs, Julia and Phillip Lovell. 2008. “The Impact of the Mortgage Crisis on Children”. Washington D.C.: First Focus.

<http://www.firstfocus.net/library/reports/impact-mortgage-crisis-children>.