ANALYZING THE CAUSES AND CONDITIONS OF POVERTY

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MLTC Long Beach, CA

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CENTER FOR COMMUNITY FUTURES
**Purpose:** To analyze Community Action outcomes and identify effective, promising and innovative practice models that alleviate the causes and conditions of poverty.

**BUILD OUR CAPACITY TO FIGHT POVERTY!**
As a network, we must be focused on the “right” issues to address poverty today. We have to be in-tuned with these issues and reflect on and CREATE strategies that have Impact.

—Jeannie Chaffin
ANALYZING THE CAUSES AND CONDITIONS OF POVERTY:

Topic Areas

• Causes of Poverty from 1972 to today – and into the future
• Conditions of Poverty
• How these apply to your local service area
• Where to find information
• We can help you gather these data for your next community assessment
Causes of poverty in the US from 1972 – the future: Job Loss and Wage Stagnation

1. Business culture and policies
   - Thomas Piketty, Emmanuel Saez, Raz Chetty
   - Maximize short term profits for managers and investors by cutting worker pay and benefits. “Occupy.”

2. Business practices in the name of “progress”
   - Automation
   - Offshoring of jobs to lower labor costs, improve product quality

3. Government failure to deal with the above.
Additional causes of poverty

• Racial and ethnic discrimination – leading to housing and employment discrimination
• Discriminatory justice practices – “Black Lives Matter”
• Lack of or access to education – Prenatal to five, and affordable higher education
• Lack of or access to safe and affordable housing. Housing rip-offs like “rent to own.” Homelessness
• Poor medical and health services for low-income communities, inadequate insurance to cover health costs
Conditions caused by job loss and wage stagnation

1. Employed but paid non-living wages. Too many part time and temporary.
2. Decline of labor’s share of national income - from 73% share to 63% during the last decade (see: http://economix.blogs.nytimes.com/2013/09/09/why-labors-share-of-income-is-falling/)
3. Raising inequality – high productivity gains accrue to the upper income groups
4. Lack of education – more specifically education that is required to obtain the necessary skills to work in the current economy. Social skills.
5. Lack of equal opportunity – gender, age, and ethnic discrimination
6. Poor health that leads to loss of income and lack of accessibility to medical insurance – 33% of American males will be off of work due to medical problems
7. Single income household – where 2 incomes are necessary
8. Lack of mobility – intergenerational and upward mobility
1. Employed but paid non-living wages

• The official poverty measure is based largely on whether a household’s cash income can support basic needs, so there is a strong connection between the health of our labor markets and the poverty rate.

• While U.S. unemployment declined 1.6 percentage points from 2014 to 2015, earnings and wages remained flat, especially for those near the bottom.

• Among the bottom fifth of U.S. workers, most of whom earn less than $10 per hour, even working full-time all year will not allow an individual worker to reach the $24,036 annual income required to keep a family of four out of poverty.

• According to the Census Bureau, 104 million people — a third of the population — have annual incomes below twice the poverty line, less than $38,000 for a family of three. Goal: 75% of median $51,939 is $38,954
Part-time work becoming new normal

According to research conducted by the Economic Policy Institute:

• Over six years into an economic recovery, the share of people working part-time because they can only get part-time hours remains at recessionary levels.

• The number working part-time involuntarily remains 44.6 percent higher than it was in 2007. This growth is being driven mainly by a few industries.

• 6.4 million workers want full-time jobs but are working only part-time hours.

• Involuntary part-time workers are not only earning less income than they would prefer, but suffer because part-time jobs offer relatively lower wage rates and fewer benefits, and have more variable and unpredictable work schedules.

• Contract workers versus employees. 1099 vs W-2


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EPI research into part-time work findings:

• In 2015, there were 6.4 million workers who wanted to work full time but were working part time, accounting for 4.4 percent of those at work; this is roughly 2.0 million more involuntary part-time workers, since the recession. In fact, data from 2007 to 2015 show that involuntary part-time work is increasing about 18 times faster than all work.

• The share of the workforce working part time voluntarily has been stable since 2007. Thus, the “new normal” of underutilized labor primarily reflects the increased employer use of involuntary part-time employees and not any increased preference among workers for part time employment.
EPI research into part-time work findings (More):

• The currently elevated level of part-time work—and of involuntary part-time work in particular—is no longer “cyclical,” i.e., it does not reflect a delayed and slow recovery.

• Involuntary part-time work and its growth are concentrated in several industries that more intensively use part-time work, specifically, retail and leisure and hospitality. Retail trade (stores and car dealers, etc.) and leisure and hospitality (hotels, restaurants, and the like) contributed well over half (63.2 percent) of the growth of all part-time employment since 2007. These two industries, together with educational and health services and professional and business services, account for the entire growth of part-time employment and 85.0 percent of the growth of involuntary part-time employment from 2007 to 2015.

• Prime-age workers are a disproportionate share of involuntary part-time workers. Workers ages 25 to 54 comprised 57.8 percent (3.5 million) of all involuntary part-time workers (6.1 million) despite being only 44.0 percent of all part-time workers.

• Part-time workers work about half as many hours per week as full-time workers, with the clear adverse consequence of a corresponding reduction in weekly earnings.
2. Decline in labor’s share of corporate income (Part 1)

- The decline in labor’s share of corporate income since 2000 means $535 billion less for workers.
- Between 2000 and the second quarter of 2015, the share of income generated by corporations that went to workers’ wages (versus going to managers and investors) declined from 82.3 percent to 75.5 percent.
- This 6.8 percentage-point decline in labor’s share of corporate income means that if this amount was spread over the entire labor force (not just corporate sector employees) this would translate into a $3,770 raise for each worker.

https://fred.stlouisfed.org/series/LABSHPUSA156NRUG
2. Decline in labor’s share of economic growth (Part II)

• Technology and Automation
  ✓ Robotics and automation – largest enabler of increasing production per worker and keeping wages down, and jobs being eliminated.
  ✓ New technologies in communications, finance (banking), transactions (i.e. shopping, airline tickets), enabling “do it your self.”

• Trade and globalization
  ✓ Outsourcing labor to cheap labor countries (China, Latin America, SE Asia)
  ✓ Enabling the decline of labor unions in the US
  ✓ Enabling corporate America to avoid environmental and safety standards in the workplace
3. Growing Income and Asset Inequality

- Inequality can be explained by this video: https://youtu.be/QPKKQnijnsM
- Productivity gains in the last 30 years have accrued to the CEOs and investors
- Their massive income and assets have enabled them to influence the political system to secure their gains and control of the economy
4. Lack of Education

• Education and access to education is the key to moving out of poverty
• The better public schools are often found in the communities of higher income, poorer schools are located in low-income neighborhoods
• Access to higher education is often blocked due to affordability, crowding, and the potential of a huge debt burden afterwards
5. Lack of equal opportunity – gender, age, and ethnic discrimination

• Persistent issues of race and gender mean higher poverty among minorities and women.
6. Health and Medical accessibility

• Lack of affordable health insurance often means putting families at risk of poor health. Lack of medical assistance can mean not being able to work.

• Medical costs will often bankrupt families and put them into poverty.

• Rural communities often lack access to reasonable cost clinics and hospitals.
7. Single income household

• Given the growing trend toward part-time, temporary, contract work and wage stagnation – one income is usually not enough to cover costs in a household with children.
• Two incomes are needed.
8. Intergenerational Mobility – Equality of Opportunity Project

FINDINGS:

• A research from a team of economists estimates that only half the children born in the 1980s grew up to earn more than their parents did, after adjusting for inflation. That’s a drop from 92 percent of children born in 1940.

• The downward trend in absolute mobility cuts across all income levels, with the largest declines occurring for families in the middle class. The U.S is now 13th.

• The percentage of children earning more than their parents fell in all 50 states.

• A cluster of the largest declines was concentrated in the Southeast, and the Eastern Midwest, such as Michigan and Illinois. (Next slide.)


The American Dream continues to thrive in some parts of the country. As the map below shows, chances of rising out of poverty vary widely across cities in America for children born in the 1980s.

The Geography of Upward Mobility in America
Children's Chances of Reaching Top 20% of Income Distribution Given Parents in Bottom 20%

Click for more details on figure »
This map shows rates of upward mobility for children born in the 1980s for 740 metro and rural areas ("commuting zones") in the U.S. Upward mobility is measured by the fraction of children who reach the top fifth of the national income distribution, conditional on having parents in the bottom fifth. Lighter colors represent areas with higher levels of upward mobility.
8. Reduced Intergenerational Mobility:

• When directly comparing sons with their fathers’ incomes, the drop in absolute mobility was especially steep: Nearly all men born in 1940 were better off than their fathers, but for those born in 1984, that rate dropped to 41 percent.

• For daughters, the rate went from 43 percent to 26 percent for the same period.

• Most of the decline was driven by a widening gap between rich and poor as opposed to the slowdown in the nation’s aggregate economic growth, or the Gross Domestic Product (GDP) growth rate.

• “The finding of this study implies that if we want to revive the American Dream of increasing living standards across generations, then we’ll need policies that foster more broadly shared growth,”

Other Challenges

• Apathy - when people do not care, or when they feel so powerless that they do not try to change things, to right a wrong, to fix a mistake, or to improve conditions.

• Frustration, anger. They lash out at real or imagined causes. “Whitelash.”
Discussion exercise: Additional factors we can work on locally

• End Discrimination
• End Exploitation.
  • Rent-to-own houses, and subsequent evictions,
  • Payday loans,
  • Car loans at 15% +,
  • Student loans?
Problems in Community Assessment

• Too often describe the conditions in very general terms (poverty rate, unemployment rate, etc.)

• Do not include DETAILS of how people earn money, the structure of the labor market (number dropped out of labor force, part-time, etc)

• Do not include CAUSES of why and how the labor market operates to limit people’s ability to earn a living

• Therefore do not lead to STRATEGIES that reduce the causes. Most services just ameliorate the conditions.
We can help find better data for your area

• We will provide specific methods or “tools” that you can use to find information about the structure of the workforce in your local area, numbers of jobs by type of work, trends, etc.

• We will also help you find information about your regional economy, the bridge between communities and the global economy.

• First ten CAA’s get hands on, others get the tools.

• To get started, send us an e-mail listing the counties in your CAA area:
  • jmasters@cencomfut.com
  • allen@stansbury.net
Sources of data for your community assessment

• US Bureau of Labor Statistics
  ✓ Working Poor Profile
  ✓ https://www.bls.gov/ - metro area statistics on jobless rates, etc.
    https://www.bls.gov/news.release/metro.nr0.htm
  ✓ Hourly wage rates
  ✓ Productivity
Sources of data for your community assessment

• US Census - https://www.census.gov/
  ✓ American Housing Survey Statistics for Selected Metropolitan Areas
  ✓ Interactive Maps https://www.census.gov/geography/interactive-maps.html
  ✓ Metropolitan statistical data - Current Delineations (Released July 2015)
Sources of data for your community assessment

• Community Commons  
  https://www.communitycommons.org/

• CLASP – low-income data  http://www.clasp.org/data

• Pew Research Center –  www.pewresearch.org
  ✓ Social and demographic trends  
    http://www.pewsocialtrends.org/
Sources of data for your community assessment

- State Finance Offices – updated demographic and poverty data
- State Education Offices
- Local United Way Offices
- State of California: Center for Budget Policy Research
  http://www.cbpp.org/research
The companies themselves

• Walmart
• Amazon, Apple, Google
Sources of data for your community assessment

• Allen Stansbury’s blog with 134 entries

• http://declineofusmiddleclass.blogspot.com
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• We will provide information about your regional economy, the bridge between communities and the global economy.
• First ten CAA’s get hands on, others get the tools.
• To get started, send us an e-mail listing the counties in your CAA area:
  • jmasters@cencomfut.com
  • allen@stansbury.net