

Reducing the High Cost of Being Poor

FES Presentation

October 24, 2003

Context

- More parents than ever working
 - 2.5 million people transitioned from welfare to work in last decade
- But low-income families still face obstacles to getting out of poverty
 - Getting higher paying jobs
 - Reducing costs
 - Avoiding financial traps

What families want

- “My perfect neighborhood is safe for children to play in the yard. It has no drug houses, no boarded up houses, no houses owned by bad landlords. It has an excellent school and a park where the children are safe. There are community jobs for the neighborhood.”
- “We want to have choices – choices for quality education for our children, to run businesses or have good careers, and to get involved in meaningful ways in our community.”
- “We want to be involved in improving our neighborhoods so that families can thrive, but at the same time, we are struggling to deal with day-to-day family crises and basic needs.”

Family Economic Success

**Workforce
Development**

**Family
Economic
Supports**

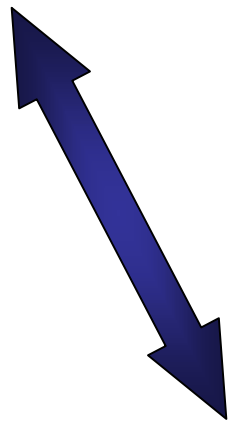
Community Investment



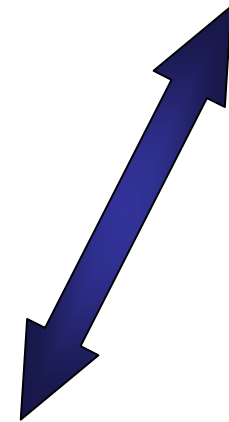
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FES Framework

<i>Earn It</i>	<i>Keep It</i>	<i>Save It</i>
<ul style="list-style-type: none">• Workforce Development• Work Supports	<ul style="list-style-type: none">• Affordable goods and services• EITC/Tax Credit• Credit	<ul style="list-style-type: none">• Asset Building• Homeownership• Community Investment



<i>Cross-Cutting</i>
High Cost of Being Poor
Center for Working Families
Casey Family Services
Rural and Southwest Border/Indian Country



Outcomes

- Families have....
 - increased income and earnings.
 - increased assets.
 - Increased access to fairly priced and affordable goods and services
- Communities have increased levels of investment.
 - Increased level of public and private investment in target neighborhoods
 - Strong neighborhood institutions

Why Economic Success Matters to Families

Jobs, Income, and Savings can produce positive effects on families:

Jobs and income

- Income is the strongest environmental predictor of cognitive development in young children
- Earned income seems to be better than unearned income for increasing parental efficacy, self esteem, and child outcomes
- Parents who work have wider social and informal networks
- The quality of jobs and predictability of income improves home environment

Assets

There is growing evidence that assets:

- Promote household stability
- Decrease intergenerational poverty transmission
- Decrease residential mobility and increase civic involvement



Family financial statements

- Families require enough resources to meet their basic needs. Families need to boost their income as well as reduce the high costs of goods and services.
- Sufficient Income
 - Family Self-Sufficiency Standard calculates how much money families need to meet their basic needs. It is equivalent to 150-200% of the federal poverty level.
- Build assets
 - Family Net Worth measures the positive net worth of families and their potential to leverage assets.
- Affordable services
 - Family Affordability Budgets identify the “high costs” of goods and services for families.



2003 Kids Count Message

- Family Economic Security improves outcomes for children
- Low-income families are spending more for the basics
 - Getting to Work
 - Housing
 - Food
 - Childcare
 - Financial Services
 - Etc.

High Costs of Working

- Challenges
 - Lack of affordable transportation
 - Lack of affordable child care
 - Lack of affordable health care
 - High cost tax preparation, check cashing, bill payment
- Strategy - Improve access to low cost transportation
 - Ways to Work (Washington State)
 - New Hampshire Community Loan Fund car loan program

High Costs of Living

- Challenges
 - Basic Needs items are more expensive and lower quality in low income areas.
 - Lack of affordable housing
- Strategy - Encourage quality retailers by improving the investment climate
 - Reduce crime & regulatory issues like brownfield redevelopment
 - Encourage community based planning efforts

High Costs of Financial Services

- Challenges
 - Lack of appropriate bank products
 - High cost tax preparation and rapid refund loans
 - High cost mortgage loans
 - Lack of or poor credit ratings
- Strategy - Increase financial skills and access to affordable credit/financial products
 - Financial education (The Beehive, National Endowment for Financial Education, Delaware Governor's Task Force for Financial Independence)
 - Low-cost financial services (Union Bank of California & Operation Hope, Our Money Place & SSA Federal Credit Union)

The High Cost of “Getting By”

- “High Cost” is not absolute it’s also relative
- Time is money
- Wealth stripping practices are alive and well in many communities
- How to level the “affordability” playing field for the most vulnerable families

Policy and Regulatory Reforms

- Tax Policy
 - Simplifying EITC, CTC & other benefits
 - “Savers Credit”
- Housing Policy
 - Maintain support for housing vouchers, LITC & other housing funds
 - Predatory lending legislation & negotiation
 - Center for Responsible Lending (NC & DC)
 - Iowa Citizens for Community Improvement
- Maintain funding in face of state fiscal crises
 - Food stamps, work supports

Conclusion

- FES has the greatest impact when combined with access to trusted and effective services and a strong social networks.
- Successful strategies focus on people, place, and policy.
- FES is not one silver bullet, but promotes increasing earnings, building assets, and reducing costs.

Conclusion

- It can take a long time to achieve family economic security and make neighborhoods a good place to raise kids.
- Workforce development, family economic supports, and community investment strategies can create powerful change in the lives of children and their families.

