Issue Brief

California Budget & Policy Center

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Five Facts Everyone Should Know About Deep Poverty

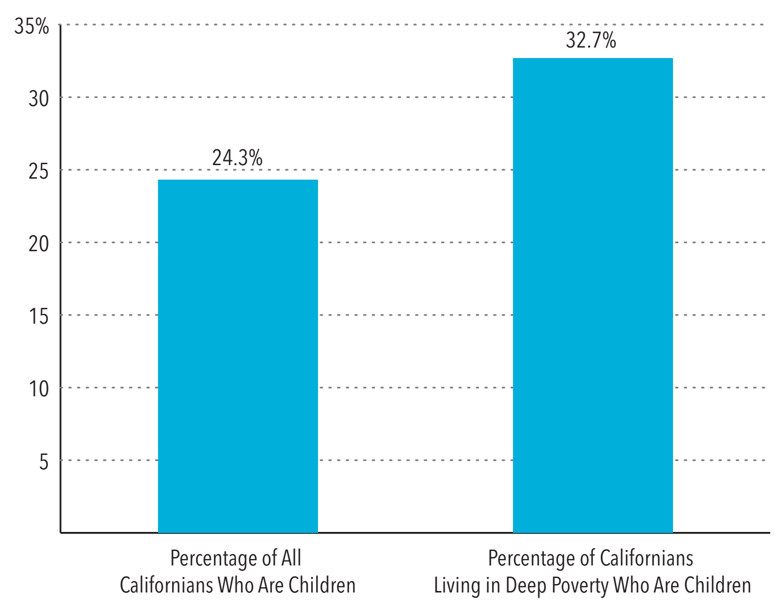
California has one of the largest economies in the world and is home to incredible prosperity, but that prosperity is out of reach for far too many. Around 6 million state residents have incomes below the official federal poverty line – about $19,000 for a family of three.[1] Within this population, more than 2.5 million people have incomes below *half* the poverty line, commonly referred to as "deep poverty."[2] For a family of three, living in deep poverty means struggling to survive on less than $200 per week, an amount that cannot support even a modest standard of living.[3] By better understanding the plight facing so many Californians, our state will be better positioned to help ensure that all residents can both contribute to and share in California's future prosperity.

1 Women and Children Are Especially Hard Hit by Deep Poverty

Women and children make up a larger share of Californians in deep poverty than their share of the overall state population. Children are less than one quarter (24.3 percent) of the population, but nearly one-third (32.7

Children Comprise a Disproportionate Share of Californians Living in Deep Poverty

Average Annual Percentage, 2011 to 2013

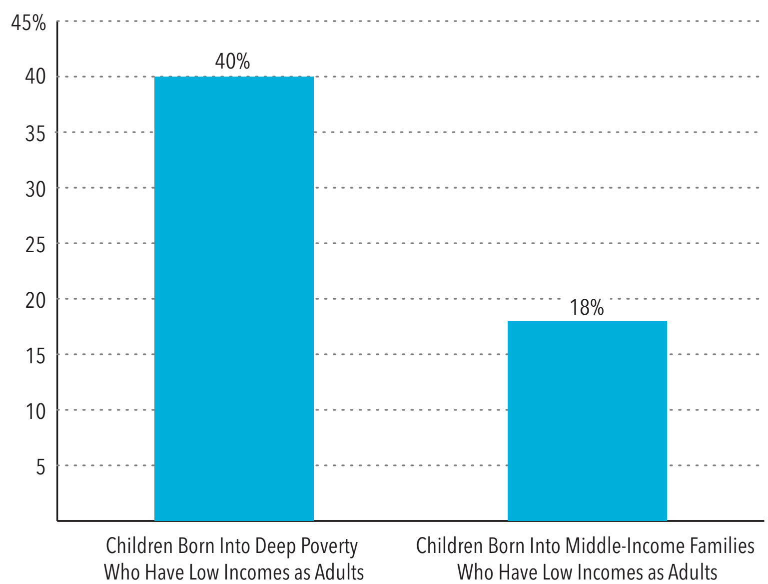


Source: Budget Center analysis of US Census Bureau data percent) of those in deep poverty.[4] Among adults with incomes below half the poverty line, 57.0 percent are women.[5] Women are more likely than men to live in deep poverty because they tend to earn less than men and are more likely to support children on their own.

2 Deep and Persistent Poverty Significantly Limits Children's Life Chances

Children born into deep poverty face significant disadvantages that make scaling the economic ladder especially challenging. Fully 40 percent of people born into deep poverty had incomes in the bottom fifth of the income distribution as adults, compared to 18 percent of people born into middle-income families, one national study found.[6] In other words, being born into deep poverty more than doubles children's chances of having very low incomes in the future relative to middle-income children. In addition, nearly half (45.3 percent) of adults who were persistently poor during childhood lived in poverty at age 35, compared to less than 1 percent of adults who never experienced childhood poverty, according to another national study.[7]

Being Born Into Deep Poverty More Than Doubles Children's Chances of Having Low Incomes as Adults



Note: "Low income" means income in the bottom fifth. Families in deep poverty have incomes below half the federal poverty line. Middle-income families have incomes in the middle fifth.
Source: Emily Cuddy, et al., *In a Land of Dollars: Deep Poverty and Its Consequences* (The Brookings Institution: May 7, 2015)

3 Adults Who Live in Deep Poverty Face Significant Barriers to Employment

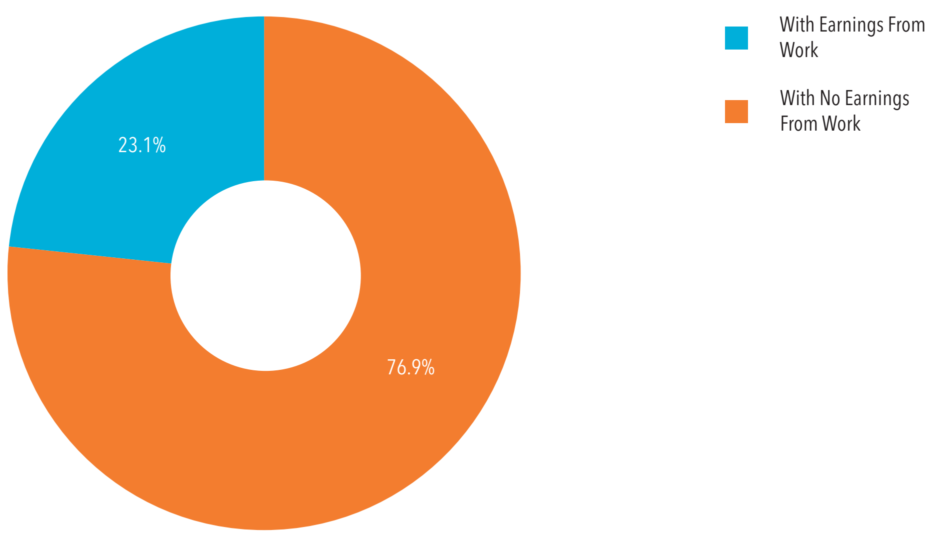
Adults who live in deep poverty tend to face serious challenges, including:

- homelessness or a lack of stable housing;
- physical disabilities;
- chronic illnesses;
- mental health problems;
- low levels of educational attainment;
- addiction; and
- involvement in the criminal justice system.[8]

These challenges make it difficult to maintain steady employment and move up the economic ladder. Indeed, more than three-quarters of Californians age 25 or older who live in deep poverty (76.9 percent) have not worked in the past year.[9] These challenges may also prevent families from making use of welfare-to-work services that could help them prepare for and find jobs.[10] Research on parents who failed to comply with welfare-to-work rules or who had reached their time limit found that nearly nine in 10 (89 percent) faced at least two significant barriers to work. Additionally, this study found that parents with multiple barriers to employment were nearly three times less likely to be working than other parents.[11]

More Than Three in Four Californians in Deep Poverty Have Not Worked in the Past Year

Average Percentage of Californians Age 25 or Older Living in Deep Poverty, 2011 to 2013



Source: Budget Center analysis of US Census Bureau data

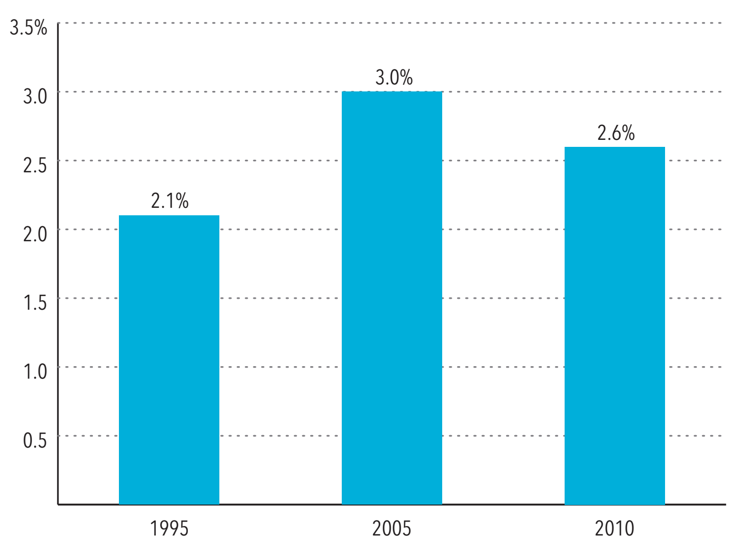
4 Deep Poverty Rises and Falls Depending on the Strength of the Safety Net

Public supports can be powerful tools for combatting deep poverty. For example, federal policymakers helped prevent a surge in deep poverty as the economy weakened due to the Great Recession, which began in 2007, by strengthening the nation's safety net. Temporary federal measures, including emergency jobless benefits and expanded tax credits for working families, together with existing public supports that expanded automatically during the downturn, such as the Supplemental Nutrition Assistance Program (SNAP, known as CalFresh in California) and unemployment insurance, prevented the nation's deep poverty rate from rising between 2005 and 2010.[12] In fact, after accounting for the impact of the newly strengthened safety net, children's deep poverty rate declined during this period; without public supports it would have risen substantially.

In contrast, recent history shows that deep poverty can rise when public supports are weakened. For example, the share of US children living in deep poverty increased by nearly one-third between 1995 and 2005, reflecting a major shift in the focus of the nation's efforts to support low-income families and individuals.[13] The most significant change during this period involved the replacement of Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF), which limited low-income families' access to cash assistance, causing many families to fall deeper into poverty.

Deep Poverty Among Children Rises and Falls Depending on the Strength of the Safety Net

Percentage of US Children Living in Deep Poverty



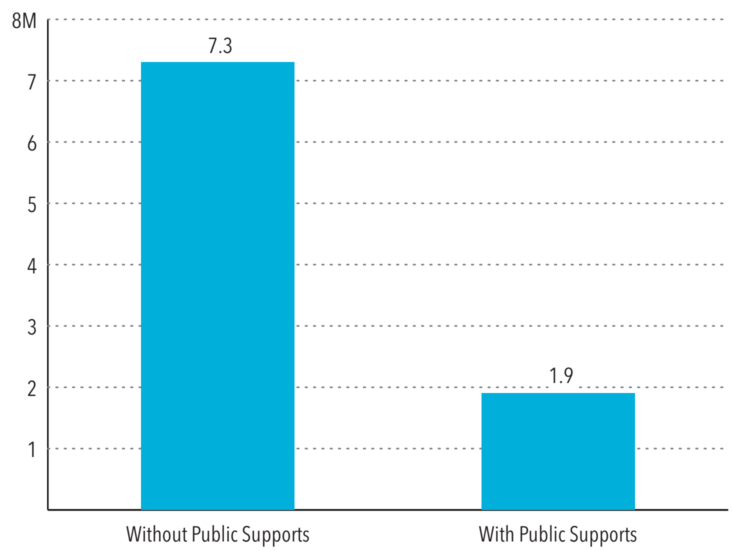
Note: Deep poverty rates account for the effect of public supports, including the federal Earned Income Tax Credit and food assistance, using an expanded poverty measure similar to the US Census Bureau's Supplemental Poverty Measure that corrects for underreported public supports.
Source: Arloc Sherman and Danilo Trisi, *Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily* (Center on Budget and Policy Priorities: May 11, 2015).

5 Strengthening Public Supports Would Lift More Californians Out of Deep Poverty

Public policies greatly reduce deep poverty in California. A broad range of supports, including the federal Earned Income Tax Credit (EITC), CalFresh food assistance, and Social Security, cut California's deep poverty rate by *three-quarters* each year, on average, between 2009 and 2012, according to national research using the US Census Bureau's Supplemental Poverty Measure (SPM).[14] An average of 7.3 million Californians, both children and adults, would have lived in deep poverty during this period if it weren't for public supports – nearly four times more than the number who actually lived in deep poverty after factoring in these policies (1.9 million). Among children alone, an average of 1.8 million would have lived in deep poverty if not for public supports, compared to the 325,000 California children who actually lived in deep poverty.

Without Public Supports, the Number of People Living in Deep Poverty Would Have Been Nearly Four Times Higher

Average Annual Number of Californians Living in Deep Poverty, 2009 to 2012



Note: This analysis accounts for the effect of public supports, including the federal Earned Income Tax Credit and food assistance, using the US Census Bureau's Supplemental Poverty Measure.
Source: Arloc Sherman and Danilo Trisi, *Safety Net More Effective Against Poverty Than Previously Thought* (Center on Budget and Policy Priorities: May 6, 2015)

Strengthening California's public supports would further reduce deep poverty. For example, state policymakers could:

- **Establish a refundable state Earned Income Tax Credit (EITC) to supplement the earnings of very low-income Californians.** The federal EITC is a proven strategy for reducing economic hardship among working families and individuals, and a well-designed state credit could do even more to increase financial security in California.[15] To maximize the credit's success, California should also fund outreach and education efforts targeting eligible workers with very low earnings – those who stand to benefit the most from the credit, but who may not be familiar with how to file taxes.

- **Increase participation in CalFresh, which provides vital food assistance to low-income Californians, but reaches only about two-thirds of those who are eligible.** CalFresh lifted nearly 540,000 residents, including close to 260,000 children, out of deep poverty each year, on average, between 2009 and 2012. Expanding participation in the program would lift even more Californians out of deep poverty.[16]

- **Increase cash assistance through California Work Opportunity and Responsibility to Kids (CalWORKs) so that no family lives in deep poverty while participating in welfare-to-work.** The maximum grant through CalWORKs today does not provide enough support on its own to lift a parent raising two children above the deep poverty line.

- **Restore annual cost-of-living increases to CalWORKs grants to ease the impact of inflation.** The maximum CalWORKs grant for a family of three has lost one-fifth of its purchasing power since 2007-08.

- **End the ban on providing additional cash assistance to families when a child is conceived and born while any member of the family is receiving assistance.** This Maximum Family Grant policy does not affect women's decisions to have children; its main effect is to plunge children deeper into poverty.

Given that people with extremely low incomes typically face barriers to employment, lifting people out of deep poverty will also require policies to address those barriers. Helpful steps would include:

- **Expanding CalWORKs housing support.** At today's funding level, the Housing Support Program – which was created in 2014 to help homeless families secure stable housing – cannot assist all CalWORKs families struggling to afford a roof over their heads.

- **Closely monitoring the effects of recent significant policy changes to determine whether CalWORKs effectively addresses parents' barriers to work.** California recently reduced to 24 months from 48 months the amount of time CalWORKs parents can receive cash assistance while participating in the broad set of welfare-to-work activities available under state law. After reaching this new time limit, parents are subject to a more restrictive set of federal work rules that provide fewer opportunities to address such barriers to employment as mental health problems or substance abuse. Consequently, some parents lack sufficient time to make use of services that would help them overcome challenges in finding and maintaining steady employment.[17]

Alissa Anderson prepared this *Issue Brief*. The California Budget & Policy Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the Budget Center is provided by foundation grants, subscriptions, and individual contributions. Please visit the Budget Center's website at calbudgetcenter.org.

END NOTES

1 US Census Bureau.

2 US Census Bureau.

3 California Budget and Policy Center, *Making Ends Meet: How Much Does It Cost to Raise a Family in California?* (December 2013).

4 Budget Center analysis of US Census Bureau data.

5 Budget Center analysis of US Census Bureau data.

6 Emily Cuddy, Joanna Venator, and Richard V. Reeves, *In a Land of Dollars: Deep Poverty and Its Consequences* (The Brookings Institution: May 7, 2015). Middle-income families have incomes in the middle fifth.

7 Robert L. Wagmiller, Jr. and Robert M. Adelman, *Childhood and Intergenerational Poverty: The Long-Term Consequences of Growing Up Poor* (National Center for Children in Poverty: November 2009).

8 Laudan Aron, Wendy Jacobson, and Margery Austin Turner, *Addressing Deep and Persistent Poverty: A Framework for Philanthropic Planning and Investment* (Urban Institute: December 2013) and Serena Lei, *The Unwaged War on Deep Poverty* (Urban Institute: February 23, 2015).

9 US Census Bureau.

10 Dan Bloom, Pamela J. Loprest, and Sheila R. Zedlewski, *TANF Recipients With Barriers to Employment* (Urban Institute: August 2011).

11 Richard Speiglman and Yongmei Li, *Barriers to Work: CalWORKs Parents Timed-Out or Sanctioned in Five Counties,* Child-Only CalWORKs Study, Report #2 (Child and Family Policy Institute of California: March 2008).

12 Arloc Sherman and Danilo Trisi, *Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily: A Decade After Welfare Overhaul, More Children in Deep Poverty* (Center on Budget and Policy Priorities: May 11, 2015).

13 Arloc Sherman and Danilo Trisi, *Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily: A Decade After Welfare Overhaul, More Children in Deep Poverty* (Center on Budget and Policy Priorities: May 11, 2015). This analysis uses an expanded poverty measure similar to the US Census Bureau's Supplemental Poverty Measure (SPM). Like the SPM, it counts more types of income, subtracts work-related and medical expenses that the official poverty measure ignores, and uses a modernized poverty line. This analysis also corrects for underreporting of key government benefits in US Census data.

14 Arloc Sherman and Danilo Trisi, *Safety Net More Effective Against Poverty Than Previously Thought: Correcting for Underreporting of Benefits Reveals Stronger Reductions in Poverty and Deep Poverty in All States* (Center on Budget and Policy Priorities: May 6, 2015). This analysis estimates the effect of the tax and benefit system on poverty in California using the SPM after corrections for underreported income.

15 California Budget and Policy Center, *A State EITC: Making California's Tax System Work Better for Working Families* (December 2014).

16 Center on Budget and Policy Priorities analysis of US Census Bureau data based on the SPM.

17 In an attempt to mitigate the potential negative effects of this policy change, California provided counties with new tools and greater flexibility to help parents overcome their barriers to work and find employment before they must meet the narrower set of federal work requirements. However, it is not yet known whether these new tools and greater flexibility are effective.