A Path to Prosperity

Four strategies to reduce Oregon's poverty rate to less than 10% by 2020

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Introduction

The Oregon Business Plan aims to achieve three important goals:

1. Create 25,000 jobs per year through 2020.
2. Raise Oregon's personal income levels above the national average by 2020.
3. Reduce Oregon's poverty rate to less than 10 percent by 2020.

Almost six years since the beginning of the Great Recession, with hiring on the rise, Oregon is close to tracking the first goal. Household balance sheets have had time to improve. The U.S. housing and consumer markets have stabilized and appear poised for growth.

While the worst economic times are behind us, Oregon still faces serious challenges. Employment hasn't yet returned to pre-recession levels in most parts of Oregon and our incomes remain stubbornly below the national average. Perhaps most important, far too many Oregonians—including nearly one quarter of children—are living in poverty.

Currently, 17.2 percent of Oregonians live in poverty, up more than 4 percentage points from pre-recession levels. Continued economic growth over the next few years will reduce poverty rates some. However, absent a focused strategy, Oregon could meet the first two goals above and see only modest poverty reductions. The past quarter century has witnessed a disconnect between economic growth and poverty reduction. Economic gains have been largely limited to skilled workers.

For this reason the Oregon Business Plan commissioned this paper, prepared by ECONorthwest, to gain a better understanding of the poverty challenge. The paper also proposes a set of strategies that aim to achieve the poverty reduction goal. These strategies have been informed by the work of the Prosperity Initiative, led by Governor Kitzhaber and First Lady Hayes and the Oregon Prosperity Initiative.[1] They have also been shaped by a panel of business leaders who convened to study this issue.

This paper does not pretend to have all the answers. The Oregon Business Plan steering committee welcomes comments and reflections on this work. Our intent is to ensure all the initiatives in the Oregon Business Plan—from education to natural resource policy—look at opportunities from the lens of poverty reduction.

The Oregon Business Plan initiatives seek to accelerate and strengthen economic expansion and create family-wage jobs across Oregon. Initiating work on critical infrastructure projects, including the Columbia River Crossing, will stimulate job growth when it's needed most. And the Plan's forest, water, and energy proposals would generate work in the rural communities where poverty rates are the highest.

A vibrant economy is a necessary but insufficient condition if Oregon is going to drive poverty below 10 percent. To meet that ambitious goal, the state must address larger structural problems in the designs of its education, workforce, and safety net systems. This paper reviews the factors affecting Oregon's poverty conditions and then outlines four strategies to reconnect Oregon's most vulnerable populations to the state's economic growth.

Four strategies to reduce Oregon's poverty rate to less than 10 percent by 2020:

1) Recognize poverty's diverse demography and geography and customize programs to meet the range of needs.

2) Steer education and workforce initiatives to provide skills needed for family-wage jobs.

3) Build an economy that offers more paths out of poverty.

4) Provide adequate support for those in need and make work pay.

A Note on Measuring Poverty

The official federal poverty measure was developed in the early 1960s. At that time, the measure represented the cost of an inexpensive, nutritionally adequate food plan multiplied by three (to account for expenditures on other goods and services such as housing, transportation, and healthcare). Over the past five decades, food has become a relatively smaller portion of average household expenditures while other expenses—childcare, healthcare—have grown. Yet the measure has not been updated to reflect those changes. The measure also uses pre-tax cash income to determine a household's poverty status, ignoring the receipt of noncash benefits and tax credits.

In 2012, the federal poverty level for a family of four was $23,050.

Persons in household	Poverty guideline
1	$11,170
2	$15,130
3	$19,090
4	$23,050
5	$27,010

The U.S. Census Bureau has developed a Supplemental Poverty Measure (SPM) that addresses some of these concerns and illustrates the impact of public benefits on poverty.[2] The alternative method leaves Oregon's overall poverty rate statistically unchanged, but, in general, the SPM results in higher rates for the elderly and lower rates for children because of its treatment of public benefit payments. Given that the SPM is still in development, the balance of this paper relies on the official federal measure.

In 2012, the federal poverty level for a family of four was $23,050.[3] This annual income level is used to determine a household's eligibility for government support.

Key Factors Influencing Oregon's Poverty Conditions

Oregon is moving through challenging and unusual times. The state is still recovering from the 2007 recession, and income inequality is at its highest levels since the 1920s. Technology and globalization continue to enforce a long-term trend: medium-wage jobs involving routine tasks, once plentiful in our state and nation, have declined in good times and bad over the past three decades. Meanwhile, the nature of the safety net has changed in the post-welfare era. Cash assistance is down, and in-kind assistance is expanding.

A strategic approach to poverty reduction must consider these recent trends. And that understanding begins with a deeper examination of poverty's diverse demography, the job market those in poverty encounter, and the safety net they turn to in challenging times.

Diverse Demography

Poor and near-poor Oregonians are diverse. Some households experience long-term poverty (e.g., those in generational poverty, the working poor, and those who are disabled, elderly, or on limited fixed incomes). Others are in temporary or situational poverty. The circumstances accompanying economic distress range from temporary job loss to chronic unemployment, a short-term health crisis to a long-term disability, and family events such as divorce or death of a loved one. Some of these families move in and out of the official poverty count as their incomes hover around the federal thresholds.[4]

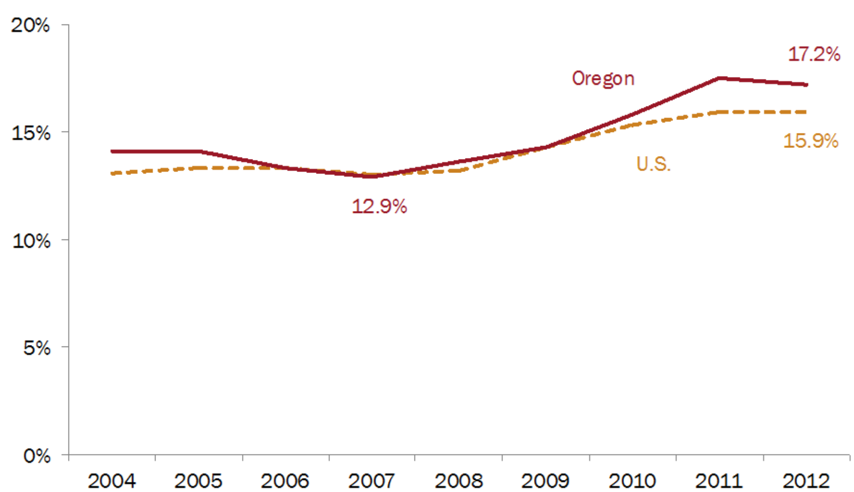
Like most states, Oregon has experienced an increase in the share of its population living below the official poverty level in recent years: from 12.9 percent in 2007 to 17.2 percent in 2012 (see Figure 1).[5] Oregon's rate has exceeded the U.S. rate since 2010.

Poverty is distributed across Oregon unevenly (see Figure 2). The percent of people below the poverty line ranges from 10 percent in Clackamas County to 23 percent in Malheur County. Most people in poverty live in urban areas, but a higher share of individuals in rural counties are poor.

Oregonians in poverty come from all racial and ethnic groups, but communities of color experience disproportionately high poverty rates (see Figure 3). Thirty percent of Hispanic, African American, and American Indian communities live in poverty, and the rates are even higher for children in these groups.[6] All together, almost one in four Oregon children lived in poverty in 2012.[7]

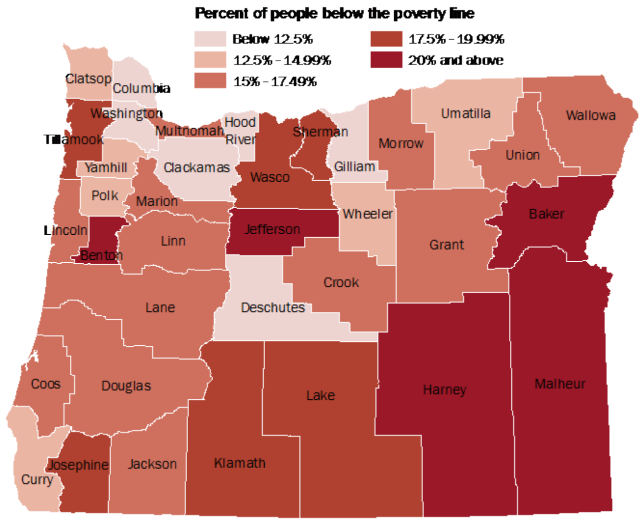
Reducing poverty starts by untangling the different groups of people in poverty and addressing the needs of each. In 2011, an estimated 644,000 Oregonians lived in households with incomes below the poverty line, including 195,000 children (30 percent of the total; see Figure 4).

Figure 1. Overall poverty rates, Oregon vs. U.S., 2004 - 2012



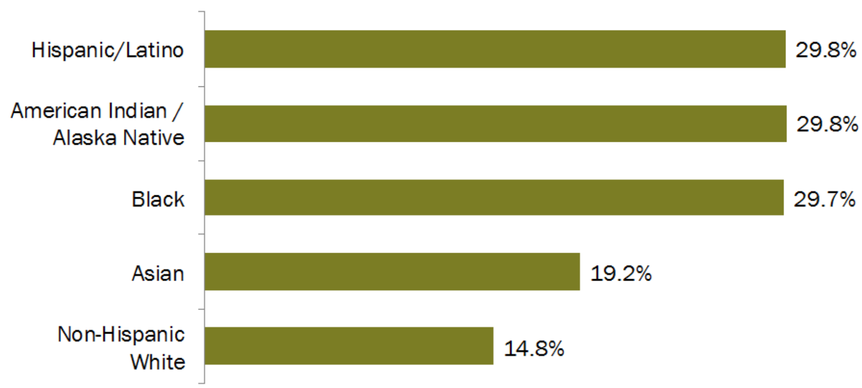
Source: U.S. Census analysis of American Community Survey data.

Figure 2. Poverty rates in Oregon counties



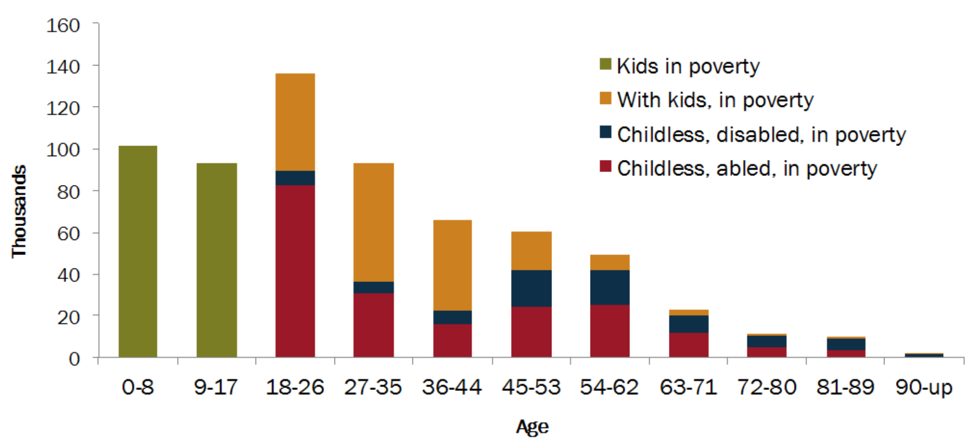
Source: ECONorthwest analysis of American Community Survey data (2007-2011 estimates).

Figure 3. Poverty rates in Oregon, by race/ethnicity



Source: ECONorthwest analysis of American Community Survey data (2011 estimates).

Figure 4. Number of Oregonians in poverty, by age



Source: ECONorthwest analysis of American Community Survey PUMS data, 2011.

These individuals can be divided into a few broad categories:

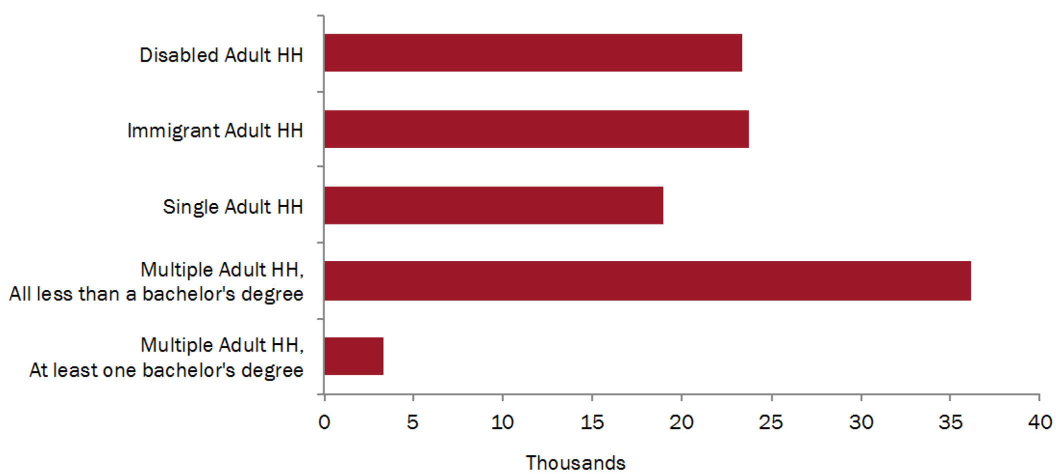
Households with children

About 371,000 (58 percent) of Oregonians in poverty are members of households that include children. This group consists of the children in poor households, their parents, caretakers, and other adults considered part of the household. About two thirds of these households have a disabled adult, an immigrant adult, or a single adult living in the household (see Figure 5). Nearly all of the adults in the remaining households have less than a bachelor's degree. About 46 percent of the adults in households with children are employed, 21 percent are unemployed, and 34 percent are not in the labor force (not counting households with a disabled adult).

With declining marriage rates and increasing non-marital birthrates, the share of children living with only one parent—primarily mothers—has been increasing for many years.[8] Oregon has witnessed a dramatic increase in the share of young children living in single-parent homes: in 1960, 6.3 percent of children under age 5 lived with just one parent. By 2008, 27.9 percent of young children were in single-parent homes (see Figure 6).

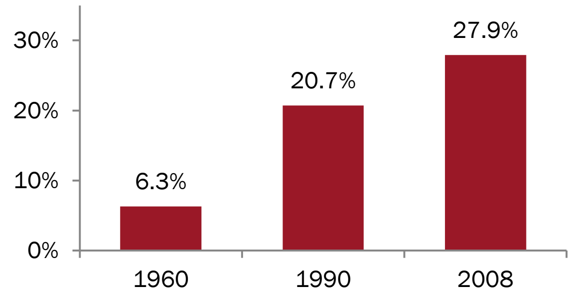
The problem of poverty in relation to single-parent households is, in large part, a definitional one: a household with only one potential worker can only earn one income. Single mothers face difficult challenges related to employment, childcare, and low earnings, resulting in poverty rates four or fives times higher than those experienced by two-parent families.[9]

Figure 5. Households with children in poverty in Oregon by condition of household head



Notes: HH = household. Includes households with children with at least one family unit in poverty, by selected dominant characteristic of an adult in the household. Characteristic categories are mutually exclusive.
Source: ECONorthwest analysis of American Community Survey PUMS data, 2011.

Figure 6. Share of children under age 5 in Oregon living with only one parent



Source: ECONorthwest analysis of Census and American Community Survey data.

Childless households with able-bodied adults

About 201,000 (31 percent) of Oregonians in poverty are able-bodied adults with no children in the household. Four in ten of these adults are 18-26 years old, and most of these young adults (64 percent) are either enrolled in school or have at least a bachelor's degree and are in the very early stages of their careers.

However, the data show a stable population of able-bodied, childless poor adults in the 27-62 year age range. In this group, 40 percent have a high school degree or less, 38 percent have some college or an associate's degree, and 22 percent have at least a bachelor's degree.

Childless households with elderly or disabled adults

The remaining 72,000 individuals (11 percent) are adults with self-identified disabilities who live without children. Roughly 45 percent of those adults are ages 45-62. Almost half of poor elders have self-reported disabilities.

Even with a strong incentive and support system in place, some Oregonians are unable to work. Some have long-term disabilities or challenges, and many are past working age. These groups require specific attention in the design of a poverty reduction plan.

The poverty rate for people with disabilities is very high, especially among those with long-term disabilities that prevent them from working. In one recent year, 41 percent of Social Security Disability Insurance (SSDI) beneficiaries lived below the poverty line (compared with 9 percent for people who didn't receive SSDI).[10]

The elderly poverty rate is relatively stable but there is still work to be done. Until 1975, poverty was most prevalent among adults 65 years and older. Thanks to the expansion of the Social Security program in the 1960s, the official poverty rate for this group fell from 35 percent in 1960 to 9 percent by 2011, and studies show that the program continues to protect older adults during recessions and economic downturns.[11]

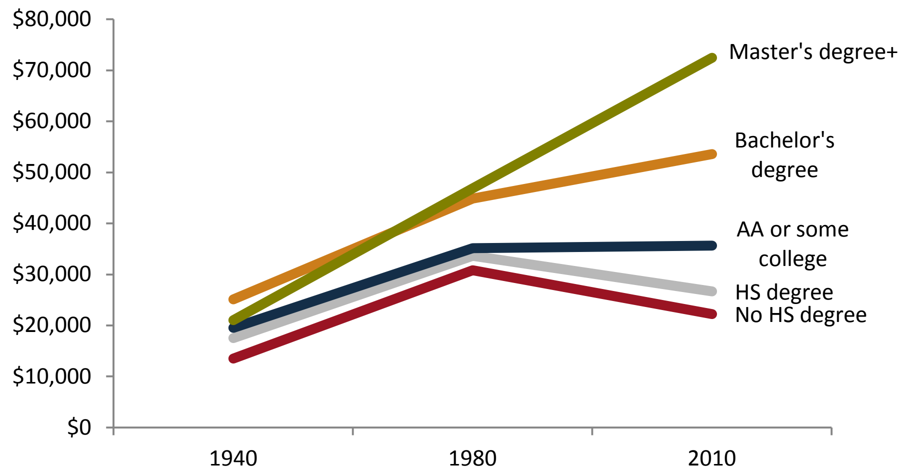
However, the decline in elderly poverty slowed down beginning in the 1980s, and, when economic conditions are strong, those over age 65 experience a weaker boost than do younger adults.[12] Moreover, the gender difference among poor elders merits attention: about 11 percent of women aged 65 and older are poor, versus 6 percent of men.[13]

Finally, Baby Boomers are aging into retirement and are putting increasing stress on state-funded health services.

The Job Market

Current U.S. poverty rates reflect, in part, the cyclical effects of the recession. But challenges for low-skilled workers and their dependents have been mounting for decades as the wage gap by educational attainment has widened (see Figure 7).

Figure 7. Average Portland wages (2010 dollars) by educational attainment, labor force participants ages 25-64



Source: ECONorthwest analysis of U.S. Census data.

Fundamental changes in the job market underlie these trends. Two prominent researchers argue that technological change and educational attainment were involved in a race during the past century.[14] They contend that growth in U.S. educational attainment matched technological advances during much of the 20th Century—thanks to the implementation of universal high schools and investments in higher education.

But since 1980, high school graduation rates have plateaued and the growth in postsecondary graduates has slowed. Meanwhile, technological advances accelerated. The loss of manufacturing jobs to automation has been well documented since the 1970s. But more recently, technology has eliminated office jobs. Document readers have reduced demand for paralegals, tax preparation software has eliminated accounting positions, and computer-aided design (CAD) has affected the market for architectural drafters.

The bottom line: The most rapid job growth has occurred at the job market's poles: high-wage, high-skill jobs and low-wage, low-skill jobs. And since 1980, many middle-wage jobs that provided work for generations of high school graduates have been eliminated. With slow growth in certain middle-wage jobs, the path out of poverty for less-educated workers—especially men and immigrants—has become significantly more challenging.[15]

The Safety Net

Oregon's safety net for its vulnerable populations is a complex array of programs funded by federal, state, and local governments. The core programs for families with children include Medicaid, the Children Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP), federal and state tax credits for low-income families, childcare subsidies, Temporary Assistance to Needy Families (TANF), Women, Infants, and Children (WIC), and unemployment insurance. Social Security, Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI), and Medicare support the elderly and people with disabilities.

The safety net for families has changed significantly during the last two decades. Beginning with the Personal Responsibility Work Opportunity Act of 1996, supports have moved away from cash entitlements. Oregon and other states implemented work requirements, time-limited support, and diversion programs that have limited growth and spending on cash support (formerly AFDC, now TANF) to families with children. With the reduced role of cash assistance, in-kind assistance—primarily SNAP and Medicaid—has taken a more prominent role, especially in Oregon. In addition, federal and state governments have expanded the use of tax credits (e.g., the federal and state Earned Income Tax Credit; Oregon's Working Family Tax Credit), the eligibility for which is tied to earnings. And finally, publically funded health coverage has expanded significantly—first for children through CHIP and more recently through the early implementation of the Affordable Care Act.

Observers often assess a safety net through three inherently competing goals:

- **Adequate level of support.** Programs increase the recipients' standards of living.
- **Targeted receipt and affordability**. Programs are limited to families and individuals in need (e.g., people incapable of work either because of physical conditions or adverse labor markets).
- **Work incentives.** Program eligibility rules do not discourage work as recipients move into work or higher paying jobs.

Collectively, these goals create an Iron Triangle: only two of the three can be solved at a time. For example, an adequate benefit that's tightly targeted to poor families will have high effective marginal tax rates with a return to work. To reduce the marginal tax rate, the level of benefits would have to drop or program eligibility would have to extend into higher earnings levels, which makes the program less affordable.

Generally, Oregon has not been an outlier—high or low—in measurements of safety net adequacy. Oregon, like many other states, has curtailed access to the TANF program and limited growth to the benefit package. In 2011, about 38 percent of Oregon's poor families with children received TANF, compared to 27 percent nationally.[16] A package of TANF, SNAP, and WIC benefits for a non-working family in Oregon provides income at about 60 percent of the federal poverty level—roughly comparable to levels provided by the median state.

Oregon—together with Maine—leads the nation in the share of eligible people who participate in the SNAP program.[17] In January 2013, 820,000 Oregon residents—or 1 in 5 people—received SNAP benefits. Nationally, about 1 in 7 people received SNAP.[18]

Looking across multiple programs that serve families with children, a 2012 study by the National Center for Children in Poverty characterized Oregon as having an average safety net commitment.[19] And in 2011, Oregon's public welfare expenditures (as defined by the Census[20]) equaled 3.9 percent of the state's personal income—versus a U.S. average of 3.8 percent for the same year.

Like other states, Oregon's safety net design includes disincentives for work, especially as families attempt to move from 100 percent to 200 percent of the federal poverty level. Figure 8 reports the effective marginal tax rate for an Oregon single parent with two children, who initially receives SNAP, TANF, WIC, and childcare subsidies. As household earnings increase beyond $20,000 annually, benefit eligibility declines and tax liabilities grow. The household's effective marginal tax rate peaks at 93 percent as it moves from $30,000 to $35,000 in annual earnings. Put differently, of the $5,000 additional income earned, the household loses $4,650 through increased tax liabilities, decreased tax credits, and decreased benefit payments. Effective marginal tax rates remain relatively high until the household reaches earnings of $50,000.

Figure 8. Effective marginal tax rates for a sample family in Oregon (single parent and two children [ages 4 and 7], receiving SNAP, WIC, and TANF, and subsidies for 4 year old's childcare)

Note: Effective marginal tax rates are calculated for the last $5,000 of earnings. Source: Net Income Change Calculator (NICC), the Urban Institute. Accessed in October 2013. Tax laws and benefit rules are from 2008.

A Strategy to Reduce Poverty

Driving the poverty rate to less than 10 percent by 2020 will require an array of initiatives tailored to specific aspects of the problem.[21] While the initiatives will be numerous, they will be most effective if they reside in a strategic framework.

Four key elements underlie the strategy.

1. Recognize poverty's diverse demography and geography and customize programs to meet the range of needs

Too frequently, poverty reduction strategies treat the poor as homogeneous populations when they are not. The challenges facing a new immigrant couple in Portland (e.g., language barriers) are distinct from those faced by a single-parent family in Yoncalla (e.g., childcare expenses and job opportunities), which in turn are different than those for an elderly widow in LaGrande (e.g., basic needs support). Some poor adults are expected to work and others are not. And for some, poverty is a temporary condition while attending school. Diverse demographic and labor-market conditions render ineffective a one-size-fits-all approach.

Poverty reduction initiatives must be targeted to specific populations and cultures with common barriers (e.g., work inexperience, language skills, criminal history, racial/ethnic background) as well as local labor market conditions. First Lady Cylvia Hayes, Oregon Solutions, and the Oregon Business Council are demonstrating this approach through a recently awarded Northwest Area Foundation grant that is supporting regional projects around poverty reduction. In Malheur County, local leaders are working to connect recent high school graduates with local business owners who anticipate unfilled jobs. And a Jackson- and Josephine-county collaboration is focused on boosting college-going rates by identifying over- and underperforming high schools and providing technical assistance to the underperforming schools. Each of these first two demonstrations has identified a specific population and has addressed a specific need identified by local stakeholders.

As programs and services are customized to meet diverse needs, it is important to understand where public policies have proven most effective in changing life conditions. Two populations stand out: teenagers and young children.

Focus on teens as an early leverage point with immediate payoff

Budget scarcity will force a staging of the state's poverty reduction efforts. The recovery from the 2007 recession is slow, and competition for resources will remain high. With parents and their children constituting the majority of poor Oregonians, an effective and early focus on teens and young adults who are headed into their family-formation years shows the potential for highest immediate impact.

The labor market for youth has changed dramatically since 2000 and too many youth are shut out of a tight labor market. The percentage of 16-19 year old Oregonians in the labor force stood between the high 50s and low 60s during 1978-2000. The rate declined steadily in the 2000s. By 2012, it fell below 40 percent. Too many of these non-workers are ill prepared for postsecondary education. Consequently, many Oregon youth are completely disconnected—locked out of jobs and school. And they are losing critical time to build either work experience or skills.

Teens need earlier and stronger connections to community, school, and work. Rates of chronic absenteeism—missing more than 10 percent of school days—show that the number of students disengaging from education grows steadily after 6th grade. Mounting evidence suggests that teens need better—more personalized—connections with educators or their proxies. Successful initiatives as varied as the Gates Foundation-funded small high schools and Minneapolis-based Check and Connect draw on a common feature: building closer relationships between students and one or more adults in the school. Within these efforts, students don't get lost.

Strengthening the motivation to attend school is similarly critical. Students want to feel successful and know they are making progress toward a goal. For many, increasing their exposure to employers and work settings does that. All teenagers need foundational skills in math, reading, and writing, but to remain engaged, some require a different high school experience. For some students, career and technical education (CTE) provides more explicit links between foundational skills and groups of occupations.[22] Along these lines, Career Academies—a 40-year old model—have proven especially effective with young males: participants show strong earning gains and postsecondary enrollment rates. In addition, the evidence base is evolving for a new generation of youth programs including YouthBuild, National Guard Youth ChalleNGe, and City Year. Oregon should grow a portfolio of approaches, rigorously measure implementation and impact, and refine the approaches as new local and national evidence on effectiveness emerges.

These education and job initiatives won't work if teens are forming their own families too soon. The U.S. teen pregnancy and birth rates remain high relative to other countries, despite dropping by 42 percent since the early 1990s.[23] The teen pregnancy rate in Oregon is about 57 per 1,000 teen girls.[24] The National Campaign to Prevent Teen and Unplanned Pregnancy has identified 25 different programs with strong evidence of success. Most proven programs are curriculum based, implemented in schools, and encourage both abstinence and contraceptive use.[25]

Start early for long-term success

Early childhood education is a proven way to improve a child's odds of escaping poverty.[26] One oft-cited, long-term study has shown that high-quality preschool for children living in poverty has long-term effects on many life outcomes, including education, economic well-being, crime, family relationships, and health.[27] However, only a small share of all public investments in education focus on the early years, when young brains are in early critical development and readiness to learn is optimal.

If Oregon is able to adapt its early childhood system to better meet the needs of low-income children, students will have improved odds of graduating from high school, obtaining postsecondary schooling, and securing good jobs. Stable home environments, access to healthcare, and high-quality and affordable childcare are critical to early childhood well-being and are the priorities for Oregon's new Early Learning System and its early learning hubs.[28]

Oregon is unlikely to raise educational attainment levels and reduce poverty significantly without better investments in and monitoring of early learners. The state's current early childhood learning system needs more coherence and integration. Results need to be tracked, and the system needs to be more accountable. Using an outcomes- and datadriven approach, the state can position itself to know where to invest for the largest, most enduring returns.

2. Steer education and workforce initiatives to provide skills needed for family-wage jobs

For generations of families, middle-wage occupations such as factory floor workers and clerks represented a path out of poverty. Now, those jobs are scarce and many workers are struggling to support their families on lower wages.

Recent work by economists show that the middle-skill jobs that have survived and are likely to persist are those that feature "non-routine" tasks: working with new information to problem-solve and influence the decisions of others, solving unstructured problems that lack rules-based solutions, and performing non-routine manual tasks that require situational adaptability, visual/language recognition, or fine muscle control.[29] Some examples of non-routine jobs include welders, electricians, dental hygienists, imaging technologists, and law enforcement workers.

Many learners have aptitudes and interests that align well with middle-skills jobs, nearly all of which require technical and general education and training of the kind usually available through community or technical colleges. School reforms in Oregon should take place with an eye toward preparing larger shares of learners for either vocational training or traditional college or university education. Many of these students will come from low-income or poor families and will likely face various challenges while attempting to complete degrees or training programs.[30] In its new education-funding models, the state could consider ways to encourage enrollment and program completion among these students.

These efforts will help foster the development of what labor economist Lawrence Katz has referred to as the "new artisans": those who fruitfully combine the foundational skills of a high school education with specific vocational skills. This group will form a large portion of the "middle 40" in Oregon's 40/40/20 goal and will likely experience increased earnings—and pathways out of poverty—as they develop useful skills and acquire relevant educational credentials.

3. Build an economy that offers more paths out of poverty

A strong, healthy economy is the prerequisite for any serious poverty reduction strategy. When the economy was stronger—as it was in the mid-2000s and late 1990s—poverty rates were lower than today. With an economy operating at its full potential (with unemployment rates at around 5 percent), poverty rates will decline. The Oregon Business Plan, and its broad suite of initiatives, support continued economic expansion. As the economy improves, it is reasonable to expect the poverty rate to drop about four percentage points, to the level of 12.5 percent. This doesn't achieve the goal, but it is a critical first step.

The nature of the jobs created will determine the success of this strategy. Oregon needs more growth in the traded sector—industries that sell goods and services outside of the state and that are a key source of family-wage jobs.

Focus on manufacturing and natural resource industry

A key tenant of the Oregon Business Plan is that traded-sector industries—those that sell products and services outside our region—are critical for growing the economy. They bring in fresh dollars that circulate within the wider economy, including support for public services. If the U.S. is going to see real wage gains that support broad classes of workers, Oregon will need to grow industries and firms. And a reinvigorated manufacturing sector will be key.

Within the traded sector, Oregon has a special opportunity in manufacturing, where it leads the nation in output per capita.[31] Manufacturing jobs pay higher wages and offer more generous benefits than non-manufacturing jobs.[32] The manufacturing wage advantage extends across all levels of education attainment from non-high school completers to holders of advanced degrees. And compared to firms in other industries, manufacturing firms are more likely to employ workers without a college education.

The growing global middle class, which is expected to double or more over the next 15 years, will create demand for new goods and services and offer an opportunity for the manufacturing sector. Oregon is strong in a range of manufacturing industries—from transportation equipment to high technology to outdoor equipment. But one opportunity particularly stands out to address the very high rates of rural poverty. Increased use of our renewable natural resources—forests, water, ports—could spark growth in rural communities and address the chronic unemployment and poverty found in many corners of our state.

An emphasis on manufacturing and smarter use of natural resources will move Oregon closer to meeting the poverty reduction goal.

4. Provide adequate support for those in need and make work pay

In the post-welfare era, the nature of Oregon's safety net has changed considerably—especially for families with children. Support from cash assistance has fallen steadily while in-kind supports—food and medical assistance—have expanded. While a guiding philosophy has shaped some of the changes, budget dynamics have also played an important role. Oregon's expansions of SNAP and Medicaid have been supported—in part or whole—by federal revenue. Meanwhile, programs that are tied to state general funds (such as TANF, childcare assistance, and state tax credits) have been slower growing.

In the wake of all this change, Oregon is overdue for a broad conversation about the principles underlying its safety net. Supports exist—largely funded by the federal government—for adults who can't work, as well as the elderly or those with severe physical and mental disabilities. But beyond those populations, work is expected. Federal welfare reform resulted in higher labor force participation by single parents and has increased competition for jobs. That, combined with weak economic times, has led to larger populations who may be capable of work in the short run but cannot find it. Additional challenges for Oregonians in poverty include the relatively high cost of housing in certain parts of the state, especially the Portland region, and access to affordable childcare.

Even after receiving public benefits, those who are temporarily unable to work usually remain well below the federal poverty line. For a family of three with no earnings, Oregon's combined TANF, SNAP, and WIC benefits provide about 60 percent of the federal poverty level. This 60 percent threshold is more a function of the state holding TANF benefits flat for a number of years—and the gradual effects of inflation—than of an explicit policy decision about the adequacy or inadequacy of the safety net.

The bottom line: policymakers and stakeholders need to consider what constitutes adequate safety net support for those in need. And adequacy should be checked during budget decisions.

Make work pay

No state has eliminated the work disincentives that individuals and families face as they transition from safety net programs to work. That said, federal and state progress has been made. A quarter century ago, Medicaid health coverage was tied tightly to cash assistance—then called AFDC. But over time, the Oregon Health Plan and, now, the Affordable Care Act have significantly teased out the availability of health coverage.

Additionally, Oregon's state EITC, related tax credits, and other program rules have improved incentives for families transitioning from no work to minimum wage work. But, thereafter, Oregon's disincentives kick in, with effective marginal tax rates exceeding 90 percent in some cases.

Two policies set Oregon apart from other states. First, the state income tax is applied at relatively low levels of income. Second, the state's subsidies for childcare assistance phase out more quickly than in some other states.

A key problem is that the core safety net programs and tax policies have often been designed in isolation and altered without consideration of work incentives. Going forward, Oregon should measure effective marginal tax rates for typical families and report changes when new benefit and tax policies are proposed. Oregon appears poised for a multi-year effort to reform its tax policies. With tax-rates tables, income tax credits, and childcare credits in play, state tax reform presents a major opportunity to "make work pay."

[1] Oregon Prosperity Initiative, http://www.oregonprospers.org/

[2] Short, K. (2013). *The Research Supplemental Poverty Measure: 2012.* Current Population Reports P60-247. http://www.census.gov/prod/2013pubs/p60-247.pdf

[3] See http://aspe.hhs.gov/poverty/12poverty.shtml

Not including noncash benefits such as food stamps and housing subsidies.

[4] Rank, M.R., & Hirschl, T.A. (1999). "The Likelihood of Poverty across the American Adult Life Span." *Social Work* 44:201–16.

National Center for Children in Poverty (2012). *Ten Important Questions About Child Poverty and Family Economic Hardship.* Accessed at http://nccp.org/faq.html

[5] The national poverty rate was 13.0 percent in 2007 and 15.9 percent in 2012. See Bishaw, A. (2013, September). *Poverty: 2000 to 2012.* American Community Survey Briefs, The Census Bureau.

[6] 2012 poverty rates by race/ethnicity (ACS, 1-year estimates): Hispanic/Latino: 30.2%, American Indian / Alaskan: 33.6%, Black: 40.8%, Asian: 12.4%, Non-Hispanic White: 14.5%

Oregon, Demographics of Poor Children, http://www.nccp.org/profiles/OR_profile_7.html

[7] Kids Count Data Center, Annie E. Casey Foundation, http://datacenter.kidscount.org/data/Tables/43-children-in-poverty?loc=1&loct=2#ranking/2/any/true/868/any/322

[8] Stevenson, B., and Wolfers, J. (2007). *Marriage and Divorce: Changes and their Driving Forces.* NBER Working Paper No. 12944. http://www.nber.org/papers/w12944

[9] Haskins, R. (2008). *A Plan for Reducing Poverty.* The Brookings Institution, prepared for the Charles Stewart Mott Foundation "Defining Poverty Reduction Strategies" Project.

[10] 2006 data. Only 15 percent of SSDI beneficiaries lived in households with incomes higher than 300 percent of the federal poverty line. See Livermore, G. (2009). *Poverty and Hardship Among Working-Age People with Disabilities*. Presentation by Mathematica Policy Research.

[11] *Income, Poverty, and Health Insurance Coverage in the United States: 2011.* http://www.census.gov/prod/2012pubs/p60-243.pdf

Social Security and Elderly Poverty, http://www.nber.org/bah/summer04/w10466.html

[12] *Social Security and the Evolution of Elderly Poverty*, http://www.nber.org/papers/w10466

[13] *Income, Poverty, and Health Insurance Coverage in the United States: 2011.* http://www.census.gov/prod/2012pubs/p60-243.pdf

[14] Goldin, C., & Katz, L. (2009). *The Race between Education and Technology*. Harvard University Press,

[15] Berlin, G. (2008). *Poverty and Philanthropy: Strategies for Change.* The Brookings Institution, prepared for the Charles Stewart Mott Foundation "Defining Poverty Reduction Strategies" Project.

[16] See Center on Budget and Policy Priorities. *State-by-State Fact Sheets* http://www.cbpp.org/files/3-1-13tanf/OR.pdf

[17] See http://www.fns.usda.gov/ora/menu/Published/snap/FILES/Participation/Techpartrate2008-2010.pdf

[18] See http://www.cbpp.org/files/1-14-13fa/OR.pdf

[19] Skinner, C. (2012, April). *Protecting the Safety Net in Tough Times: Lessons from the States.* Mailman School of Public Health, Columbia University. Page 14.

[20] The Census defines public welfare expenditures as support of and assistance to needy persons contingent upon their need. Excludes pensions to former employees and other benefits not contingent on need. Expenditures under this heading include: Cash assistance paid directly to needy persons under the categorical programs (Old Age Assistance, Temporary Assistance for Needy Families (TANF) and under any other welfare programs; Vendor payments made directly to private purveyors for medical care, burials, and other commodities and services provided under welfare programs; and provision and operation by the government of welfare institutions. Other public welfare includes payments to other governments for welfare purposes,

amounts for administration, support of private welfare agencies, and other public welfare services. Health and hospital services provided directly by the government through its own hospitals and health agencies, and any payments to other governments for such purposes are classed under those functional headings rather than here.

[21] Bane, M.J. (2008). *Poverty Reduction Strategies for the U.S.* The Brookings Institution, prepared for the Charles Stewart Mott Foundation "Defining Poverty Reduction Strategies" Project.

Beegle, D.M. (2007). *See Poverty… Be the Difference! Discover the Missing Pieces for Helping People Move Out of Poverty.* Communication Across Barriers: Tigard, OR.

[22] Levy, F., & Murnane, R. (2013). *Dancing With Robots: Human Skills for Computerized Work.* Third Way: Washington, D.C.

[23] The National Campaign to Prevent Teen and Unplanned Pregnancy, http://www.thenationalcampaign.org/

[24] State Profiles, Oregon, http://www.TheNationalCampaign.org/state-data/state-profile.aspx?state=oregon

See also *Births: Final Data for 2010.* National Vital Statistics Reports, US DHHS, August 2012. http://www.cdc.gov/nchs/data/nvsr/nvsr61/nvsr61_01.pdf#table15

[25] Two examples of proven initiatives are the Carrera Adolescent Pregnancy Prevention Program and Multidimensional Treatment Foster Care.
http://evidencebasedprograms.org/wordpress/1366/carrera-adolescent-pregnancy-prevention-program/
http://evidencebasedprograms.org/wordpress/1366/122-2/

What Works: Curriculum-Based Programs That Prevent Teen Pregnancy (2011). Washington, DC: National Campaign to Prevent Teen and Unplanned Pregnancy.
http://www.thenationalcampaign.org/resources/pdf/pubs/WhatWorks.pdf

See also http://www.thenationalcampaign.org/resources/pdf/Briefly_Effective_Interventions.pdf

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Bartik, T. (2011). *Investing in Kids: Early Childhood Programs and Local Economic Development.* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

[27] Schweinhart, L. et al. (2005). *Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40.* Ypsilanti, MI: High/Scope Press.

[28] Oregon's Early Learning System, http://oregonearlylearning.com/

[29] Autor, D., & Dorn, D. (2013). "The Growth of Low-Skill Service Jobs and the Polarization of the U.S. Labor Market." *American Economic Review*, 103(5), 1553–1597.

http://opinionator.blogs.nytimes.com/2013/08/24/how-technology-wrecks-the-middle-class/?_r=0

[30] Portland Community College's Future Connect initiative is an example of a program that helps address these challenges by providing scholarship money, career guidance, and personal advising for low-income students. http://www.pcc.edu/resources/future-connect/

[31] Oregon Office of Economic Analysis, analysis of BEA and U.S. Census data, 2010.

[32] The average hourly wage for production employees in manufacturing in Oregon was $18.65 in 2012 (Bureau of Labor Statistics).