

EXECUTIVE SUMMARY

WHY IS THERE SO MUCH POVERTY IN CALIFORNIA?

*The Causes of California's Sky-High Poverty and the Evidence
Behind the Equal Opportunity Plan for Reducing It*

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The Equal Opportunity Plan

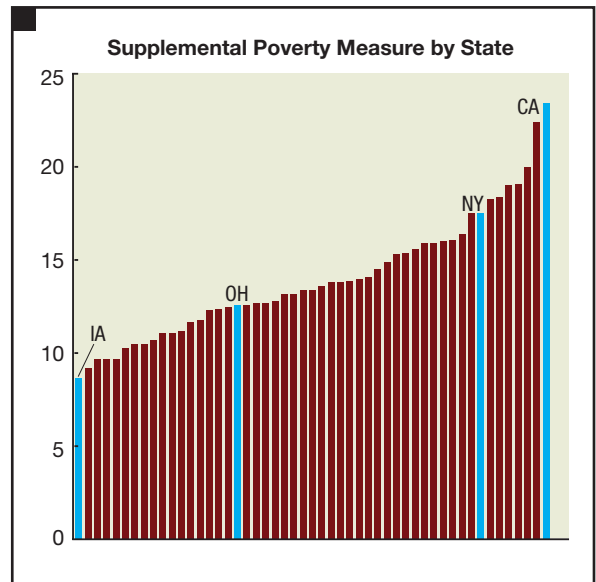
The Problem

The poverty rate for California, 23.4 percent, is the highest in the country (when poverty is measured with the Census Bureau's Supplemental Poverty Measure). The poverty rate is even higher for children (25.1 percent), high school dropouts (53.9 percent), and those with only a high-school degree (33.2 percent).

The Solution

A stop-gap approach: Treats the symptoms of a broken labor market by relying on cash transfers to poor families.

A long-term solution to poverty: Treats the causes of poverty by ensuring that poor children have the same access to high-quality training and schooling as the rest of California's children. The Equal Opportunity Plan (EOP), which brings together programs and interventions backed by rigorous evaluation studies, permanently reduces poverty and social program spending by providing skill-building opportunities for all children. As with the stop-gap approach, the EOP also delivers cash benefits to families in need, but the total amount of spending on cash benefits will gradually decline as the labor force is increasingly trained and employable.



How California Can Get It Done

The cornerstone of the Equal Opportunity Plan is to identify the junctures at which poor children and adults are provided substandard opportunities and then do what's needed to level the playing field ... every step of the way.

STEP 1: EQUAL OPPORTUNITY FOR HEALTH AND DEVELOPMENT



Home visiting programs identify at-risk children early on, intervene before problems cascade into much larger ones, and lead to improved health, parenting, cognitive development, and school readiness. The case for home visiting programs is backed by a large body of randomized controlled trials and other high-quality research. Although the evidence on behalf of home visiting is strong and compelling, existing programs in California are a patchwork affair that miss many at-risk families, and available services are often focused on narrow health problems rather than a broader range of family services. The EOP will broaden coverage to ensure that California's children are less vulnerable to cognitive, behavioral, and other deficits that cause lifelong problems and costly social service spending.

STEP 2: EARLY CHILDHOOD EDUCATION



The case for *early childhood education*, like that for home visiting programs, is based on evidence that key cognitive inequalities develop before children begin formal schooling. We now know that these inequalities are preventable: The experimental evidence shows that high-quality early childhood education can improve cognitive and noncognitive development and thus prevent such deficits from emerging among low-income children. Unfortunately, California has a shortage of early-education slots for low-income children, and such slots as are available are not always of adequate quality. The EOP will prevent lifelong (and thus costly) achievement gaps from emerging by increasing the number and quality of early-education slots.

STEP 3: SCHOOL AND AFTER-SCHOOL



Although *late interventions* were once viewed as offering unattractive cost-benefit ratios, the most recent evidence suggests that there are critical junctures throughout later childhood that are amenable to high-payoff targeted interventions. As the Local Control Funding Formula (LCFF) is implemented in California, children from low-income families should have increased access to many of these high-return programs, thus equalizing opportunities in the later life course. The EOP also exploits a newer class of informational and social-psychological interventions that, when layered on top of LCFF-induced changes, can overcome entrenched impediments to good decision making and follow through (at very low cost and with very high return).

STEP 4: WORKFORCE DEVELOPMENT



The latest evidence suggests that *job training programs* can be cost effective when they target expanding sectors of the economy and collaborate closely with businesses in need of labor. As community colleges become the center of workforce development, a shift to such “sectoral programs” will require developing new funding formulas that incentivize them to carry out training in high-demand fields. Likewise, an increase in CalWORKs funding ensures that families facing difficulties can secure a job or job training, allowing them to escape poverty, provide a quality home environment for their children, and thereby break the cycle of poverty.

STEP 5: MAKING WORK PAY



The foregoing reforms will increase the skills of California's workforce and reduce the number of low-skill workers competing for the limited (and dwindling) number of low-skill jobs in California. However, because their effects will take time to register, there is a pressing need to raise wages for low-skill workers who did not have these opportunities. The four most important approaches to "*making work pay*" are to raise the minimum wage, provide a state supplement to the federal Earned Income Tax Credit (EITC), eliminate wage theft and unfair incarceration, and end employment discrimination against mothers, undocumented immigrants, disadvantaged racial and ethnic groups, and the formerly incarcerated.

Delivering the Equal Opportunity Plan

The programs making up the Equal Opportunity Plan can be delivered by expanding existing statewide programs or by developing neighborhood-level coalitions of providers (e.g., Promise Neighborhoods). Although the EOP is wed to the principle that all children should have truly equal access to health, schooling, and other opportunities, it's not wed to any particular method of delivering on that commitment.

The EOP Strengthens California's Economy

The EOP is well tested, yields returns in excess of the investments, is consistent with our beliefs about how safety nets should work, and integrates well with existing programs in California. The EOP is not about treating symptoms, not about providing short-term relief, and certainly not about charity. It is about building a training system, labor market, and economy that provide opportunities for everyone and that ensure decent rewards for hard work. Because the EOP treats the upstream causes of poverty, it will bring about a large and permanent reduction in the size of the poverty population, increase the tax base, meet California's burgeoning need for high-skill labor, and reduce future demands on the safety net. The poverty population will permanently shrink because low-income children will have new opportunities to develop capacities and make high-payoff investments in skills. By virtue of these opportunities, children from low-income families will no longer be mired in the low-wage sector, which not only raises their own wages but reduces wage-lowering competition among the shrinking number of workers who do remain in that sector. The threefold result is less poverty, a stronger economy, and less social service spending.

There is nothing more distinctively American than the idea that our principles should be taken seriously and that our schools, our neighborhoods, and our labor markets should be continually recast and perfected to ensure that they live up to them. The EOP does just this: It takes the principle of equal opportunity seriously by leveling the playing field and building an economy with meaningful opportunities for all children.