

MCYS-CSC Social Strategy Lectures**“Creating an Opportunity Society”**

by Dr Ron Haskins, Senior Fellow and Co-director of the Centre on Children and Families, Brookings Institution

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Background

American society prides itself in being a land of opportunity where one's family background should not have an impact on one's future success in life, if he is willing to work hard for it. This belief is a fundamental value in the US. However, studies have shown that this is perhaps not the case among the poor in the US. Family background does play an important role in determining one's future success in life.

The Factors Contributing to Persistent Poverty and Income Inequality in the American Society

In Dr Haskin's assessment, poverty is deemed a big problem in the US. Thus far, despite the policies introduced to reduce poverty and income inequalities, there has been little success and racial conflicts are still happening in US cities. Dr Haskins attributed the poverty and income inequality problems in the US to 4 factors – declining work rates and wages, family composition, education, and immigration.

Declining work rates and wages

According to tabulations from the Brookings Institution, work rates among American males are too low and they are continuing to fall since 1980 (88.76% to 82.61%). Dr Haskins noted that these unemployed males are less likely to be married and even when they do, they are likely to be heads of poor households. The same tabulations also suggest that education standards have declined among males, thus compounding the problem.

Wages across income groups have also changed over the last 30 years. Wages have improved significantly for the high income group (95th percentile) to almost 140% of 1979 wages. For the median income families, while wages have also improved slightly in the same period, the last recession has muted that improvement somewhat. The poor (bottom 10th percentile), however, see no improvements at all in their real wage rates over the last 30 years. In other words, what they earn today is not different from what they earned back in 1979, in real dollar terms.

Family composition

In the US, 4 out of 10 births are outside of marriage. Dr Haskins believed the children from such union start life with a disadvantage as 2 parents are better than 1. The odds of gaining future success in life are also stacked against the mother and child.

Mother's education and ethnicity are 2 factors affecting non-marital births. When a woman receives more education (attains at least a college degree), she is less likely to have a baby outside of marriage. This could be that she becomes more aware of her sexual responsibilities. Non-marital birth is also more common among the Blacks, followed by the Hispanics and then the Whites in that order.

Percentage of children living in single parent families have also more than doubled in the last 30 years from 11.9% to 26.32%, fuelling the poverty problems in the US.

Education

Education is a major factor in determining future success in life.

Households with parents who have attained at least a college or university degree saw a steady increase in their median family income over the last 40 years. Households with lower educated parents saw their income declining over the same period.

Women are also outdoing the men in terms of high school and college graduation rates. In terms of ethnicity, the Asians have the highest rates of high school and college graduation, followed by the Whites, Blacks and Hispanics.

Family background also has a powerful influence on kids' future success in life. For the top income group, their children have about 80% chance of enrolling into college and a 53% chance of graduating. For the lowest income group, however, there is only a 34% chance that they will enrol in college and just 11% chance that they will graduate. At 11%, the children from low income families are 5 times less likely to graduate compared to the kids from the top income group.

Immigration

Currently the US has close to 1 million legal immigrants annually. And more than 70% of them are from Latin America and the Caribbean or Asia.

Dr Haskins shared his analysis of poverty rate among immigrants to the US. The wages of the first generation immigrant workers are currently about 20% below those of average Americans. While there has been improvement in wage rates across generations of immigrant workers, among the second generation workers, their wage rates have fallen from 17.8% to 14.6% and 6.3% in 1940, 1970 and 2000. In Dr Haskins' view, this again, will pose a challenge to the fight against poverty in the US.

Dr Haskins reckoned that the US immigration policy should take a leaf from Australia's point system where points are given to occupation, skills, country of origin, etc. The US system of immigration today takes into account family relationships instead. Hence, if the first generation of immigrants is poor, he may bring in his relatives with similar backgrounds and economic conditions into the US, thus exacerbating the poverty problems. Dr Haskins also noted that Singapore's policy of limiting the number of years low-skilled foreign workers could work in Singapore is prudent.

Opportunity and Mobility

As mentioned earlier, family background is a key factor in determining one's future success in life. In a 2008 study by The Brookings Institution and the Pew Economic Mobility Project, only 6% of children born into a family from the bottom quintile will climb to the top quintile as adults. A significant 42% of them will remain in the bottom quintile as adults, just like their parents.

Dr Haskins shared his findings on how education may be an effective leveller for children of poor parents. In his analysis, he found that if these children had college degrees, there is only a 16% chance that they would remain poor as adults. Their counterparts without

a degree face a much higher probability of 45%. However, there is a difference between ethnicities in how family background can influence children's future success in life. Statistics show that Blacks parents find it much harder to pass on their advantages to their children as compared to the Whites. Dr Haskins felt this observation deserves further study.

Data from 1967 to 2004 suggests that there has been substantial overall individual mobility of about 60%. Of particular interest is the mobility rate out of the bottom quintile which hovered around 44% to 47% in the same period.

Dr Haskins also showed the increase in numbers of incarceration in the US which is most prevalent among black high school dropouts. To Dr Haskins, his top concern is the impact that incarceration has on poverty – an imprisonment record will render a person disadvantaged throughout his life time, and this person will likely to turn out as another candidate for poverty.

Policies to Mitigate/Eradicate Poverty

Dr Haskins advocates a 3-front “war” against poverty, namely, to improve education, expand work and strengthen families. In his observations, if an individual were to complete high school, work full time and wait until he is aged 21 and marry before having children, he is less likely to be poor in future. This analysis is done by adherence to all 3 norms and it is found that when none of the norms are fulfilled, the person faces a 76% chance of being poor. As the number of norms increase to 1 or 2 fulfilled, the chances fall substantially to 27% and when all 3 norms are fulfilled, there remains only a 2% chance that this person would live in poverty.

Strategy 1: Promote Work

Among the 5 most common measures to reduce poverty: full time work, increase marriage rates, increase education, reduce family size and double cash welfare; encouraging full-time work has been most effective in reducing poverty rates. By simply getting the candidate to work full time, poverty rates would be reduced by 42%. The least effective has been the move to double cash welfare. However, if we take into account the total impact of all 5 measures, together, they would reduce poverty rates by over 70%.

On the US' current policy to give cash handouts to the elderly poor, Dr Haskins concluded that it is probably not as effective as it used to be in the 60s to early 70s. With poverty rates among the elderly reduced from 35.2% to about 10% now, more government spending on this group is unlikely to bring the poverty rates any lower. Hence, Dr Haskins is calling for a reprioritisation of government spending, so that the monies spend on this programme could be rechanneled to funding education for the children of lower income families.

Five Factors in Designing Temporary Assistance for Needy Families

Dr Haskins outlined 5 design considerations of any assistance programmes for needy families:

- End cash entitlement
- Block grant funding – Rather than provide funding based on the number of individuals on assistance programmes, provide block funding that would not result in budget cuts due to a reduction in the number of people supported,

resulting in a perverse disincentive to get individuals employed and off the programmes.

- Full time work requirement
- Sanctions
- 5 year time limit

Since programmes in the US are modified in 1996 according to the 5 design factors above, the number of families on assistance programmes has since dropped significantly. Requiring beneficiaries of these programmes to work full time is key and it has great impact on reducing poverty rates.

And increasing work has taken various forms such as to increase work requirements for food stamps and housing. Career academies have also been re-introduced to broaden skill base and the work support system has been strengthened so that more can remain in the workforce (e.g: day care and employment training).

Strategy 2: Promote Education

While education has been shown to be a critical leveller for children from poor families, Dr Haskins felt that there is room to improve current pre-school programmes. Head Start, despite its cost, has little effect on its beneficiaries. Also, of concern is the quality of childcare facilities in the US where only 20% are considered of good quality.

Dr Haskins further listed some of the improvements that could be made to the current pre-school programmes so that all children who enter school would be able to perform adequately in terms of social, emotional, and intellectual aptitudes.

Strategy 3: Strengthening Marriage

On strengthening marriage, Dr Haskins has 2 separate points – to reduce the number of non-marital births, including teenage pregnancy and to increase marriage rates.

The Oklahoma City Experience – Family Expectations

Dr Haskins also shared an example of a great programme carried out in Oklahoma City to strengthen couple relationships and prepare the couples for transitions into parenthood.

In particular, most couples on this programme found the access to a family support co-ordinator (a trained social worker) particularly helpful.

Concluding Remarks from Dr Haskins

Poverty and income inequality, are, as Dr Haskins has described them, “stubborn” problems. They are also complex given the many factors that would fuel poverty and land generation after generation in the poverty trap.

Requiring and enabling full time work is key in any poverty assistance programmes. Specifically for children from low income families, to help them get out of the poverty trap, education has been proven to be most effective.

Question and Answer Session

Moderated by Ms Choo Lee See, Director (Comcare and Social Support Division)

The following questions (summarised and edited) are raised by the audience:

Question: I agree that education and family background are important factors in determining one's success in life. However, there are notable differences in standard of education across the cities in the US. Would you comment on that?

Dr Haskins acknowledged the differences in quality of teachers and therefore education standards among the US cities. The teaching abilities of teachers in the inner cities are lower. Besides increasing the wages offered to inner cities teachers in a bid to attract better qualified teachers, the Teach for America programme has been particularly successful. Under the Teach for America programme, the top graduates from colleges and universities are recruited to teach in the inner cities. These group of newly recruited teachers, being young and bright are also highly motivated and driven to bring out the best of their wards.

When the quality of inner cities teachers improves, it would also help to improve the poverty rates.

Question: Most of the strategies advocated by Dr Haskins target the young and yet to be working poor. How about the older poor who have since completed their basic education and started some form of work? What types of programmes would work for them?

Dr Haskins was of the view that most, if not all, poverty reduction measures are best introduced to the young (marriage and education). For the older poor, it would be to focus on full time work.

Question: In Singapore, the government's policy has been to treat married mothers differently from single mums. The latter is denied various financial incentives and programmes such as childcare subsidy and tax rebates. This has, inevitably, affected the children. Are there similar policies in the US which favours married mothers over single mums?

Dr Haskins noted the difference in treatment of single mums in Singapore vs America. In the US, as long as the woman is willing to work, the incentives offered to a married and single mum are the same.

Question: In the more developed cities in the US, such as New York, where property prices and cost of living are higher, do pro-family policies make a difference?

Dr Haskins clarified that poverty payments are adjusted to take into account the cost of living in the different cities in the US. While that is being done, the poor who live in the more developed cities do have a slight "advantage" over their counterparts in the less developed cities. For one, they have better access to work since the economies in these cities are also more vibrant.

Question: In Singapore, we are beginning to see a new trend of lower educated men marrying spouses from the poor countries in our region. These brides are usually from poor families and they are lowly educated. Upon settling into Singapore, they are not

allowed to work and hence pose a problem to the Government when the household falls into poverty. Does the US have a similar experience and what can the Government do?

Ms Choo clarified that these brides are often here on long-term social visit passes. They can work if they are able to find an employer who is willing to employ them. Details could be obtained from MOM.

Dr Haskins commented that, taking the question as phrased purely at face level, it would seem a little odd not to allow a woman to work. He assumed there were policy and other reasons for such a policy to appear as phrased.

Question: Society seems to be breaking down. Most of the measures undertaken by Governments today are in damage control mode – they address situations too late. Would it be possible to have a more “upstream” solution so that we can address these problems even before they occur? For example, can we go back to the times when children are raised in a culture of trust, thrift, respect for marriage, etc?

Dr Haskins did not agree that US society had broken down irreparably. However, culturally, the American society could do some reflection. The current American culture is too saturated with sexual values. Television programmes with sexual messages are also too easily accessible to the impressionable young. Individual counselling is thus important to ensure that the young Americans grow up with the right values. These counselling programmes emphasised the importance of education and sports as a form of personal responsibility.

Question: Are there any studies to show the impact of religion on creating an opportunity society?

Dr Haskins opined that religion could have an effect in motivating individuals to strive to move out of poverty, however the level of motivation would depend on whether an individual paid lip service to expected religious norms or actively practiced religion. Religion can also be effective in inculcating values and discipline in children.

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