



The State of Opportunity in America

Low-Income Families and Opportunity

Despite considerable progress over last several decades, low-income families continue to face many barriers to opportunity. In 2004 the number and rate of people in poverty increased for the fourth consecutive year. Children of low-income families remain largely segregated from children of other socioeconomic groups in schools and neighborhoods, damaging their life prospects. And low-income families have a more difficult time accessing health care and health insurance benefits, placing them at greater risk for health problems and financial ruin. These are just some of the signs that opportunity for low-income and working poor families is in crisis.

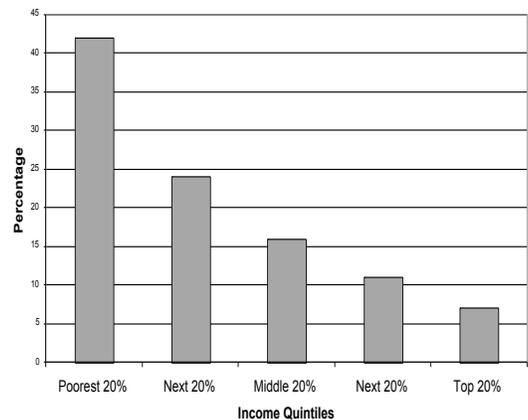
Mobility

Everyone who works hard should be able to advance and participate fully in the economic, political, and cultural life of the nation—that is, any child in America should be able to fulfill his or her full potential, and economic status at birth (or gender, race, ethnicity, and nationality) should not predetermine ultimate achievements.

- *Access to Comprehensive, High-Quality Early Childcare.* For many low-income families, the cost of adequate childcare severely restricts childcare options. Children from families in the highest income quintile are more than three times more likely to attend such programs than children from families in the lowest income quintile.¹
- *Financial Barriers to College Enrollment.* Since 1983, the increase in tuition costs at both public and private four-year institutions has greatly outpaced the increase in median family income. In response, many public and private institutions have greatly increased sources of financial aid, but most of the aid is in the form of loans rather than grants.²
- *Economic Mobility.* Studies show that people in the lowest income quintiles experience the least mobility, with estimates ranging from 19% to 38% average annual mobility among

those in the lowest income quintile over a ten-year period.³ A study that followed more than 6,000 individuals and families with children born between 1942 and 1972 found that 42% of those born in the bottom income quintile remained in this group on follow up, while another 24% moved up only to the next income quintile. Movement from the bottom quintile to the top was unlikely: Only 7% of those starting out at the bottom were among the top quintile on follow up (see Figure 1).⁴

Figure 1. Where Those Born in the Poorest 20 Percent of the Population Ended Up as Adults
Source: Hertz, 2003, as reported by the Century Foundation, 2004



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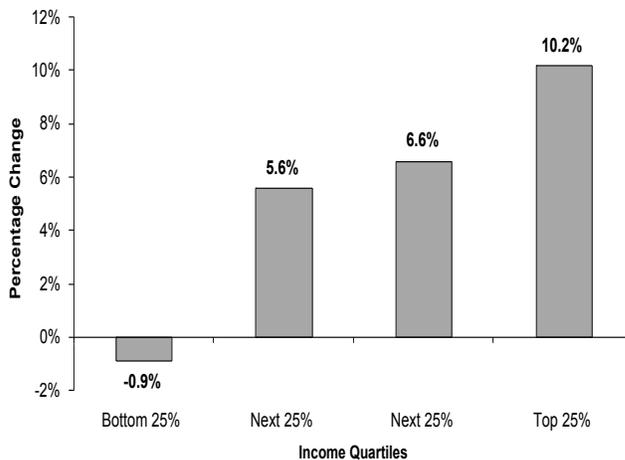
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- **Homeownership.** Homeownership, long acknowledged for its beneficial impact on household wealth and stabilizing impact on communities and families, has slightly increased nationally, from a rate of 65% homeownership in 1979 to 68% in 2003. But large gaps in homeownership are found among income groups. In 2001, for example, nearly nine in ten of top income quartile households owned homes, compared with just over half of the lowest income quartile households. Moreover, the rate of homeownership growth has disproportionately favored higher income groups. Between 1970 and 2003, homeownership among the top income quintile grew by over 10%, while slightly declining among the lowest fifth of wage earners (see Figure 2).⁵

Figure 2. Change in Homeownership Rates by Income Quartiles, 1970-2003

Source: Economic Policy Institute analysis of U.S. Census Data, 2005



Equality

True opportunity requires that we all have equal access to the benefits, burdens, and responsibilities of our society regardless of race, gender, class, religion, sexual orientation, or other aspects of what we look like or where we come from.

- **Wage Inequality.** Between 1979 and 2003, wages for the top 5% of wage earners grew by 31%, while wages for workers in the bottom tenth remained stagnant, declining by 0.9%. The top 10% of wage earners saw their income grow by 27% in 2003 dollars, while those in the bottom 40% saw their income grow by only 7.2%, respectively.⁶

Voice

Americans embrace democracy as a system that depends on the ability of all of us to participate in the public dialogue. This democratic system provides the right to vote and freedom from censorship, as well as affirmative opportunities to participate in the decisions that affect us and to be part of the nation's social and cultural life.

- **Electoral Participation.** The November 2004 elections drew the highest turnout of voters since 1992. They also revealed gaps in electoral participation among income and education groups that have persisted over the last forty years, despite a slight narrowing of some of these gaps over time. In 2004, fewer than 24% of people with less than a ninth-grade education reported voting, compared to 52% of high school graduates, 73% of college graduates, and 77% of people with advanced degrees. Family income also contributes to differences in electoral turnout. About 36% of those with family incomes less than \$10,000 reported voting in 2004, compared to 49% for those with family incomes between \$20,000 and \$29,000, 68% for those with family incomes between \$50,000 and \$74,999, and 78% for those with family incomes of \$150,000 and above.⁷
- **The Digital Divide.** Households earning less than \$15,000 were more than four times less likely than those earning \$75,000 or more to have Internet access at home in 1997. By 2001 this gap closed to the point where households

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earning less than \$15,000 (in adjusted dollars) were slightly more than three times less likely to have Internet access at home.⁸

Community

Americans have long adhered to a strong belief in individualism and self-reliance. But this ethic is accompanied by a conviction that we share responsibility for each other and our communities, just as we are responsible for ourselves. We recognize that the strength of our people and our nation depends on the vibrancy and cohesiveness of our diverse communities. But in some measures of community, many Americans remain segregated and divided from the mainstream.

- *Economic Segregation.* A 2002 study by the U.S. Census Bureau found that residential segregation is still higher for African Americans than for any other group. In addition, this study found that Hispanics and Asian and Pacific Islanders also face high levels of residential segregation. On some measures of segregation, such as the degree of isolation from other groups, Hispanics and Asians and Pacific Islanders experienced increases in segregation over the last two decades.⁹

Security

Americans believe that we are all entitled to a basic level of education, economic well-being, health care, and other protections necessary to human dignity. Without this security, it is impossible to access society's other rights and responsibilities or to enjoy full opportunity. Moreover, international human rights commitments—many of which were initiated by the United States—obligate our nation to ensure basic levels of healthcare, housing, and income security.

- *Poverty.* In 2004 nearly 37 million people—about one in eight U.S. residents—lived in poverty. More than one-third of these individuals are children under age 18.¹⁰ Women, people of color, non-citizens, and people who live in urban and rural areas are disproportionately represented among the impoverished.¹¹
- *Most of the Poor Work.* In 2003 more than 24 million people who worked full- or part-time lived in poverty, and over one in ten impoverished individuals worked full-time.¹² A parent who works full-time at the federal minimum wage to support a family of three makes \$5,000 under the poverty line.¹³ The percentage of full-time workers who fall below the poverty line has increased by 42% since 1978. The number of these workers has more than doubled since 1978, rising from about 1.3 million to almost 2.9 million workers in 2004.¹⁴
- *Housing.* U.S. workers must earn an average hourly wage of \$15.37 to afford the rental costs of a two-bedroom unit, yet the national hourly wage average is about \$14, and more than one-quarter of the population earns less than \$10 an hour.¹⁵
- On average, families with extremely low incomes can afford to rent a two-bedroom house at fair market price in only nine U.S. counties, and in only four counties in the nation can a person working full-time at the minimum wage afford even a one-bedroom apartment.¹⁶
- Of the 4.4 million “working poor” households in the United States, nearly 60% pay more than half of their incomes for housing or live in dilapidated conditions. Nearly three in five of these households have children.¹⁷

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Conclusions and Recommendations

Without a renewed national commitment and concrete policy changes to reverse these negative trends, the promise of opportunity for all is at great risk for this and future generations. Fulfilling the promise of opportunity for all will be one of the great challenges of the twenty-first century. It will require bold leadership from our government, civic, and business leaders, creative and effective solutions, and the sustained political will of the American people. Fortunately, however, a significant body of pragmatic policies has proven effective in expanding opportunity in concrete and measurable ways. The State of Opportunity report recommends six types of policy approaches:

- Regularly assess the impact of public policies on opportunity;
- Modernize safety net programs that help people meet their basic needs, starting with equitable and affordable healthcare for all Americans;
- Build Americans' skills to adapt to a globalizing economy, evolving technology, and an increasingly diverse population;
- Renew a commitment to human rights in the United States;
- Prioritize crime prevention and rehabilitation over increased incarceration; and
- Protect voting rights and promote political participation.

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¹ V.E. Lee and D.T. Burkam, *Inequality at the Starting Gate: Social Background Differences in Achievement as Children Begin School* (Washington, DC: Economic Policy Institute, 2002).

² The College Board, *Trends in Student Aid*, 2004, New York: The College Board, 2004.

³ The Century Foundation, *Rags to Riches? The American Dream is Less Common in the United States than Elsewhere*, 2004, <http://www.tcf.org/Publications/EconomicsInequality/ragrchr.pdf> (24 June 2005).

⁴ T. Hertz, "Rags, Riches, and Race: The Intergenerational Economic Mobility of Black and White Families in the United States," April 2003, <http://nw08.american.edu/~hertz/> (3 September 2005).

⁵ Economic Policy Institute analysis of Current Population Survey data, 2005.

⁶ *Ibid.*

⁷ U.S. Bureau of the Census, "Reported Voting and Registration, by Race, Hispanic Origin, Sex, and Age, for the United States" (Washington, D.C.: U.S. Bureau of the Census, November 2004).

⁸ National Telecommunications and Information Administration, *Changes, Challenges, and Charting New Courses: Minority Commercial Broadcast Ownership in the United States*, (Washington, DC: U.S. Department of Commerce, 2000); National Telecommunications and Information Administration, *A Nation Online: Entering the Broadband Age* (Washington, D.C.: U.S. Department of Commerce, 2004).

⁹ U.S. Bureau of the Census, *Racial and Ethnic Residential Segregation in the United States: 1980-2000* (Washington, D.C.: U.S. Department of Commerce, August 2002).

¹⁰ U.S. Bureau of the Census, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, Current Population Reports, (Washington, D.C.: U.S. Government Printing Office, 2005).

¹¹ *Ibid.*

¹² U.S. Bureau of the Census 2005, *Historical Poverty Tables*, Table 18.

¹³ L. Mishel, J. Bernstein, and S. Allegretto, *The State of Working America*, 2004/2005, (Ithaca, N.Y.: ILR Press, 2005).

¹⁴ U.S. Bureau of the Census 2005, Table 18.

¹⁵ National Low Income Housing Coalition, "Out of Reach 2004," www.nlihc.org/oor2004 (11 July 2005).

¹⁶ *Ibid.*

¹⁷ Center for Housing Policy, "Housing Problems of the Working Poor," *New Century Housing* 5, issue 1 (April 2004). "Working poor" families are defined as those in which one or more family member works, yet family income is at or below the federal poverty threshold (\$17,650 for a family of four).

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