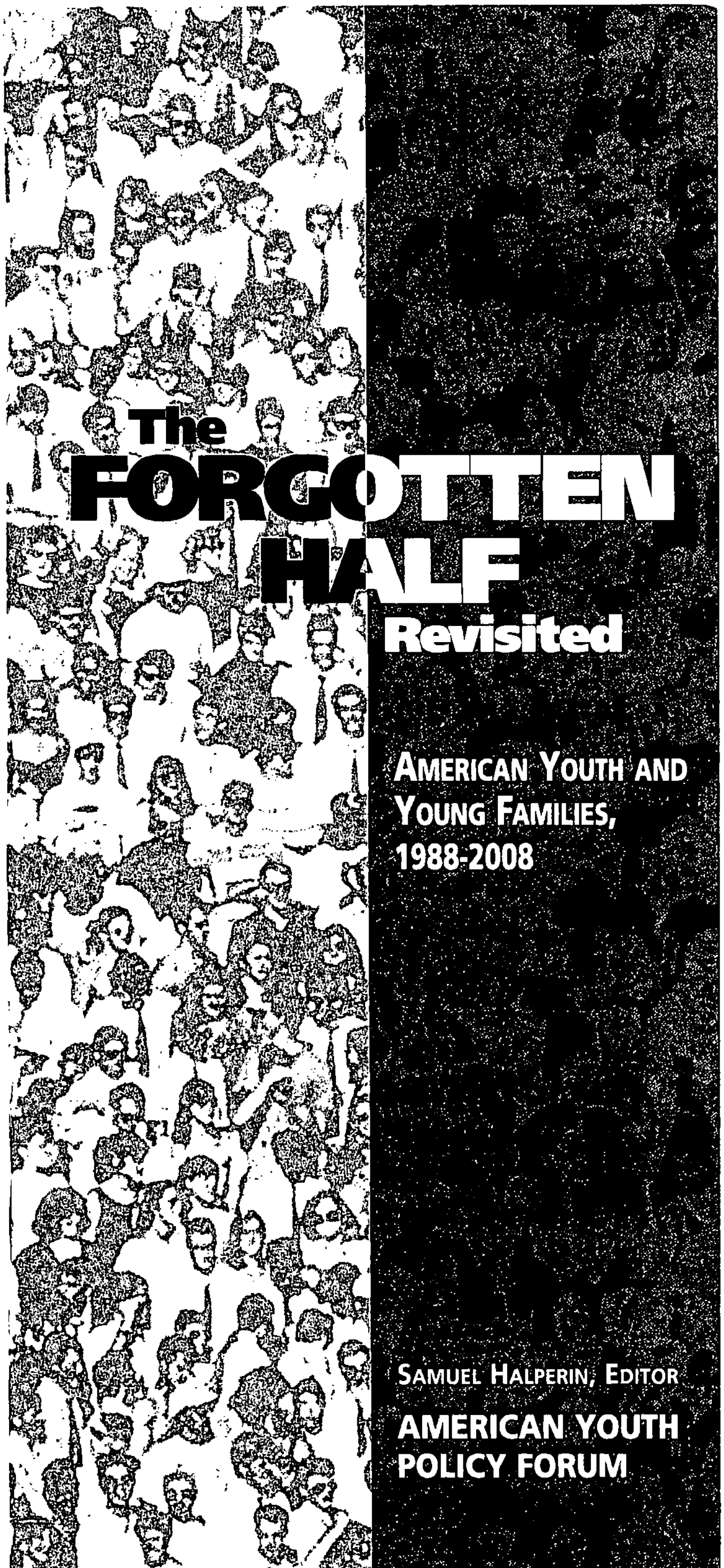
Clinton Presidential Records
Digital Records Marker

[The Forgotten Half Revisited]



The FORGOTTEN HALF Revisited

American Youth and Young Families, 1988-2008

Samuel Halperin, Editor

AMERICAN YOUTH POLICY FORUM

Nicole/Shirley -
How do these figures square with the "Forgotten Half" analysis that claims little or no income progress for low income/education workers?

HRC

Pam -
File report but ask Nicole & Shirley to analyze my question for me.

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Shirley Sagwa and Nicole Rabner

RE: Discrepancies between The Forgotten Half and the Council of Economic Advisors EITC and Minimum Wage Report

DATE: January 27, 1999

You asked us to analyze why The Forgotten Half Revisited (TFH) and the CEA Reports paint such different pictures of the economic status of low income Americans. The short answer is that the two used different time frames and different segments of the populations for their analysis.

TFH looks at the circumstances of less-educated young people (18 to 24), comparing 1996 data with 1988 or, in some cases, 1973 data. The CEA looks at the effect of minimum wage and EITC on low-wage workers of all ages and levels of education, with an emphasis on families (note, for example, that many 18 to 24 year olds do not have children and therefore do not qualify for EITC). CEA uses as its baseline 1993, with particular emphasis on the dramatic improvements that occurred between 1996 and 1998 -- a period in large part not examined by TFH.

One other distinction worth noting: TFH looks more broadly at the quality of jobs young people have (health insurance availability, opportunity for advancement, etc.), while CEA looks only at labor force participation and family income.

The attached memo by MaryEllen McGuire provides more detail on the differences between the two reports.

copy for me
Melanne
Nicole
Neera
+ send to HRC

To: Shirley Sagawa
From: MaryEllen McGuire
Re: **Discrepancies between The Forgotten Half and The Council of Economic Advisors EITC and Minimum Wage Report**
Date: January 10, 1998

To reconcile what appear to be discrepancies in the economic and social reporting of The Forgotten Half (TFH) and The Council of Economic Advisors EITC and Minimum Wage Report (CEA Report), consider each reports' intended emphasis, target population, and the time span they consider. When we look at these factors together, the two reports are rarely, if at all, at odds.

Differences in Focus:
The objective of TFH was to explore the educational, political, social and economic plight of our less educated youth, those 18-24 year olds who have not attended college and some of whom dropped out of high school. The objective of the CEA Report was to highlight the efforts of two very specific government programs on low wage American families, namely the Earned Income Tax Credit (EITC) and the minimum wage hike. The CEA report gives no special attention to the age of its' heads of households and does not on the surface appear to make reference to levels of education. One could however make the case that educational attainment *is* being considered in the CEA Report, as the majority of Americans in low income households are headed by adults with lower levels of education.

In addition, the two reports use different time spans: TFH charts young adults' progress over the past ten years, while the CEA report covers the period from 1993-1998, with particular emphasis on 1996 to the present. When one puts all three of these differences into a larger context- report objectives/ intended focus, target population and time span covered- what appear to be discrepancies among the reports are actually complementary pieces of information.

Issue of Unemployment/ Quality of Work
When you consider different populations examined, it makes sense that individuals considered to be part of TFH are doing less well than American families overall. Mountains of evidence, and even the CEA Report, demonstrate that in an increasingly educated and specialized workforce, those with only a high school diploma or less are at a great disadvantage for obtaining and maintaining employment that accords an acceptable standard of living.

TFH asserts that those who don't go on to college, and especially high school drop outs, are more likely to experience periods of unemployment. CEA agrees. According to CEA figures, while unemployment sits currently at 4.4%, the lowest rate since 1969, individuals with less than a high school diploma experience unemployment at a higher rate of 7.2%. CEA would point out however, that this 7.3% level is an improvement over 11.1% in 1993.

One cohort that has not seen an improvement in its levels of employment, and has seen a 3% rise in *un*employment (to 11%), is that of males 16-24. CEA does not examine this group as a separate entity, partly because they only look at American families and most males 16-24 would not qualify as heads of households.

TFH, unlike the CEA Report, also pays special attention to the nature and quality of employment; whether an earner is working one full time job or several part time jobs, and whether or not a worker is being afforded health insurance. CEA does not appear to consider how a 40 hour work week is constituted and does not consider the issue of insurance. It does however pay special attention to the number of people, especially children, that are being lifted out of poverty by the EITC and minimum hike wage. TFH is focused not so much on the poverty line but on broader issues and better quality of life.

One fact that both reports celebrate is that more single mothers are participating in today's workforce. The CEA report attributes this to the fact that through the EITC and minimum wage hike, the Administration is making work pay. TFH mentions the EITC as an admirable government credit with the single highest participation rate of any anti poverty program. It does not speak of the EITC in any depth.

The Wage Issue
The CEA Report speaks very highly of a 4.4% growth in median wages from 1996 to 1998 for low income wage earners and attributes a great deal of this growth to the 9% hike in the minimum wage which it estimates has affected 46% of low income households. While TFH may not disagree with this, it is their point that *despite* significant gains over the past few years, real weekly earnings are still down $128 since 1973, and while young families are recouping in the 90's from the wage losses of the 80's, they are still earning quite a bit less than their peers just one generation earlier--with high school graduates experiencing the greatest loss in purchasing power.

Poverty Rates
The CEA Report pays special attention to poverty rates and the effect the EITC appears to have had on them. TFH notes that poverty rates are down from 1996, but still up from the 1980's. It negatively reports that high school drop outs are much more likely to be poor than high school or college graduates and positively reports that single mothers are more likely to be employed and earn higher wages than before [which the CEA Report attributes to the EITC and minimum wage hike].

Conclusion
The CEA Report emphasizes that Administration policies, especially as they relate to the EITC and minimum wage hikes, have played a key role in the employment and wage gains over the past two years. I do not think that TFH would disagree. TFH would note however, that young people with the lowest levels of education are experiencing unemployment at much higher rates than any other cohort, and that real wages are still lower than they were a generation earlier. TFH would not dispute the CEA that gains have been made, but would like to see that these gains are extended further.

	The Council of Economic Advisors Report (CEA Report)	The Forgotten Half (TFH)	Comparison
Report Focus	The CEA Report focuses on the effects of two very specific government programs, the Earned Income Tax Credit and the minimum wage hike on American families, particularly low income families.	TFH focuses on the educational, political, social and economic plight of the nearly 10 million Americans, aged 18-24 years old, who do not go on to college after high school [and who may not have even finished high school].	-CEA report focuses on the effects of two government programs -TFH is wider in scope looking at the educational, political, social and economic plight of our young people
Population Focus	Low income families.	A particular age cohort of particular educational attainment: 18-24 year olds with no college and/or no high school diploma- about 40% of young people.	-CEA report focuses on families with no particular age given emphasis -TFH focuses on 18-24 year olds, and at times 16-24 year olds -TFH pays close attention to educational attainment -the fact that the CEA Report examines the plight of low income families suggests attention to those with less education as low income families are likely to be headed by adults with lower levels of education
Time Span	1993-1998, particularly the last two years	The last ten years, 1989-1999	-TFH looks at a much broader time span including time spent outside this Administration
General Message	Low income families are doing much better today than they were just two years ago (1996).	Today's young adults without a college degree are having a much harder transition into adulthood than their college educated peers. Lack of higher education continues to be a barrier to economic opportunity.	-Not in opposition -TFH does seem to agree that there have been overall unemployment and wage improvements over the past two years but compared to the larger picture, the past ten years, we have still not recouped, especially where are young people are concerned

Thoughts on Unemployment	The labor market is in great shape and continues to perform at record pace. -Unemployment in '98 was only 4.4%, the lowest rate since '69 -agrees that the employment outlook is not as good for the less educated but is improved since '93 no high school degree: '93 unemployment 11.1% '97 unemployment 7.2% high school only: '93 unemployment 6.6% '97 unemployment 3.9% -more single moms are in the workforce in '92 -73.7% at work, in '97- 84.2% at work -unemployment overall is down	Focusing *exclusively* on the 18-24 year old cohort: -those who don't go on to college, and especially high school drop outs, are more likely to experience periods of unemployment and rely on PT work for more years -young males are less likely to make a single transition to the work force -in '97 only 56.3% of 16-24 year olds find FT work, 3% less than '89 -FT work highly correlates to education dropouts 34.9%, high school 60%, BAs 82.3% -Top 40% of families enjoy rising income, most others stagnant or earn less	-both would agree that unemployment is down overall -fact is young people with less education still find work less -point is when finding work AGE is a significant variable, as is level of education
Thoughts on Wage Growth	-from '96 to '98 there has been a 4.4% gain in median wages, especially among low income earners -there has been a substantial increase in minimum wage since '96 ($4.25 to $5.15) -from '93 to '97 the minimum wage rose 9% with an estimated 10 million people benefitting -46% of those benefitting worked full time -most benefitting are low income workers -BUT, real value of hike is still less than wages earned in '84/'85 -overall wages up	-TFH are experiencing less permanent wage growth -real weekly earnings are down '73 to '98 from $463 to $335 -earners are however at their highest levels in the 90s, with '98 showing the best performance in 20 years -BUT, inflation adjusted earnings are still 1.3 less than a generation earlier, 24 years ago -in '97 under 25's earned 51.5% of over 25's -young families are recouping in the 90s but still below what young families made 24 years ago - high schools grads are losing the most purchasing power -families led by those with four year degrees did better, but even they earned less	-remember that CEA makes no age distinctions, refers mostly to wage hikes over the last two years due to the minimum wage jump, and is only comparing '96 to '98 without looking at how this admitted jump compares to ten years ago -both agree real earnings are not where they were a generation ago -both agree there has been wage improvement recently

Poverty Rates/ Poverty Rates for Children	-in 1997, the EITC reduced the number of children living in poverty by 2.2 mill -over half of the decline in poverty from '93 to '97 can be explained by changes in taxes, most importantly the EITC	-Poverty rates in '96 down 2% from '92 but still up from 21% in '80s -1/4 young families live in poverty -high school dropouts are more likely to be poor: 64% of poor are dropouts, 34% have only high school degrees, 7% have BA's -poverty rates are higher in '96 than '89 except for four year degree holders -Except for children living in families headed by 4 year college grads, poverty rates for children were higher in '97 than '89 -kids in single mother families are most likely to be poor but these moms are doing better, more likely to be employed and earn higher wages now	-looking at entirely different time spans -poverty is getting better but still higher than a decade earlier -both agree with strides in single mothers' condition
EITC	-Administration's polices have played a key role in unemployment/ wage gains -the Administration made work pay through the EITC and minimum wage hike -in '97 the EITC raised 4.3 million out of poverty, more than double the '93 rate -The EITC supplemented the incomes of low wage working parents	-recognizes the EITC as a good safely net, as the government program that helped the poor the most -lifted 2.4 mill kids out of poverty in '96, 37.3% of the poor kids -EITC provides a powerful work incentive -EITC has the highest participation rate of any anti poverty program: 81-86%	-both agree the EITC is pulling people out of poverty -TFH does not look at the EITC in depth

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 4, 1998

REMARKS BY THE PRESIDENT
AT INCOME TAX CREDIT EVENT

The Roosevelt Room

10:12 A.M. EST

THE PRESIDENT: Amy's children are over there. And we also have Bernadette Hockaday and her children, and Rhonda Clarke and her children here. They're all here, and we thank them all for coming because they all have benefitted from the Earned Income Tax Credit.

I'd like to thank Gene Sperling, who believed passionately in this when I first met him, well over six years ago now; Janet Yellen, the Council of Economic Advisors; Secretary Herman, who was here in the White House helping us to implement the Earned Income Tax Credit in '93. I thank Congressman John Lewis and Congressman Bob Matsui, who are here who have been passionate advocates; and all the other advocates in the room here -- Bob Greenstein, Justin Dart, the others who are here -- we thank you for your support.

One of the main reasons that I ran for President in 1992 was that I believed that people like Amy could achieve real success if we could unstack the deck against them. I knew that when our nation was taxing working families into poverty, that was wrong. I knew that when a mother rises at dawn, putting in an honest day's work and still can't afford to buy the children's clothes, that's wrong. And I was determined to try to do something about it.

I also knew that there was a little-known provision in the tax code which had been in for several years called the Earned Income Tax Credit that had the potential if it were actually expanded at an appropriate level to lift all working families out of poverty. And that's how all this started.

Again, let me say, I'm very grateful for everybody who has supported this. I think the important -- one important thing I'd like to point out is that we have representatives here from the AFL-CIO, from AFSCME, from other unions, most of whose members do not get the Earned Income Tax Credit, and they lobbied for it, too, because they thought it was right. And so, for all of you, I just say I'm very grateful.

What we tried to do in 1993 was two things. First of all, we had to get the economy moving again, and secondly, we had to focus on the special needs of people who were working hard at lower wage levels. But first things first -- we had to get the whole economy moving again. Middle-class incomes have been stagnant for 20 years, and we could never have given lower-income working people the chance to raise their incomes if it hadn't been for a policy promoting overall economic growth.

Just this morning, we received more good news for America's families on our overall economic policies. Secretary Herman's Department reports that, last month, unemployment fell to 4.4 percent, while inflation remains low and stable. But for a year and a half, the unemployment rate has remained below 5 percent, for the first time in 28 years. And in November, the economy added more than a quarter of a million jobs, which means now America has created about 17.3 million jobs in the last six years. That is a very good record, of which the American people can be very proud.

But let's go back to the main point. Even with all those new jobs, under the present circumstances, the way the economy works, millions and millions of those people would be working full-time and still be living in poverty. So what I wanted to do in 1993 was to create new incentives to help people climb the economic ladder and reach true independence; to enable people to succeed at work and at home, in raising their children.

So we got the dramatic increase in the Earned Income Tax Credit into the budget in 1993. And two years ago we fought for and won a substantial increase in the minimum wage, which I still believe we ought to increase again. Unemployment and inflation are low, and it still has not recovered its levels of 20 or 25 years ago, in real-dollar terms.

Today, we release a report prepared by the Council of Economic Advisors. It shows that the Earned Income Tax Credit, as a family tax cut, has been a major factor in encouraging work among single mothers, which you heard Amy talk about. It has also been responsible for much of our strong progress in reducing child poverty. In fact, the report shows that, of the 4.3 million people who have been lifted out of poverty since 1993 by the Earned Income Tax Credit, over half of them -- well over half of them -- have been lifted out because we basically doubled the program in 1993.

And, again, I want to say to Bob Matsui and John Lewis, we had -- it was hard to raise the money to pay for that doubling and there were a lot of people, even in our party, who were afraid to do it -- and with some good reason, as it turned out. But it was the right thing to do, and I hope it is something that all of you will always be proud of.

Now, since 1993, families with two children and one parent working full-time at the minimum wage, therefore, have seen their incomes rise by more than $2,700 because of the increase in the minimum wage and the Earned Income Tax Credit. This has strengthened families, it strengthened communities. It's helped to restore our compact of mutual responsibility that people who work hard and play by the rules ought to have a chance to be rewarded for it. And, again, it helps us to promote both the values of family and work.

So I feel very, very good about this. And I feel great about the overall economic news this morning. But let me also say to all of you, this is not a time for self-congratulation or a time to rest. We have more to do here at home and more to do to stabilize the global economy, if we expect economic growth to continue.

We all know about the economic troubles in Asia; we all see sectors of America's steel industry being overwhelmed by imports at fire-sale prices. We have all read the headlines about Boeing's layoffs because of the inability of Asian airlines to pay for planes which they have already ordered. We see other problems in the global economy as well, and we are working hard to reverse the problems in Asia, to limit their reach, to stabilize the long-term system under which so many Americans and so many hundreds of millions of people around the world have benefitted. But it is a sobering thought to remind us that we have to continue to work on this.

Finally, let me say, we have to continue to work on the conditions of working families here at home. Many people still cannot get affordable child care. The minimum wage should still be raised. We still have a great deal to do to stabilize the conditions of working families and to genuinely reward work in this country.

In the last session of Congress we passed an expansion of our empowerment agenda to try to bring more jobs, more incomes, more investments into poor inner-city and rural areas: we still have a great deal to do there.

So as you leave here today and you think about Amy and these other two fine mothers and these beautiful children who are here, and the millions and millions of people whom they represent all across America, I hope you will always be proud of what you have done. But remember, this economy still is not working for everyone, and it is still living in a very turbulent international environment. So I ask you also to continue to support our efforts to deal with the challenges that still have to be met to keep the growth going, and to make sure that what we do here, so far from the lives of most Americans, actually helps them to make those lives better.

Thank you very much and God bless you all. Thank you, Congressman Rangel. It's good to see you. (Applause.)

END 10:24 A.M. EST

Good News for Low Income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage

December 1998

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A report by
The Council of Economic Advisers

EXECUTIVE SUMMARY

- The strongest labor market in a generation has resulted in particularly large gains among low-wage and disadvantaged workers. From 1979 to 1993, the real wages of low-wage workers fell sharply. Recently, however, low-wage workers have experienced large increases in real wages: For low-wage men, wages are up since 1996 by 5.7 percent after inflation. And for low-wage women, real wages have risen 6.1 percent.

- These strong wage gains have been accompanied by a steep decline in unemployment for low-skilled workers. In 1993, 11.1 percent of workers without a high school degree were unemployed; today that rate has fallen to 7.2 percent. Among high school graduates (with no college), the rate has fallen from 6.6 to 3.9 percent. Low-wage workers are thus gaining both by working more and by earning more for every hour that they work.

- The effects of a strong economy have been reinforced by successful policies designed to make work pay. Expansions in the Earned Income Tax Credit (EITC) since 1993 are supplementing the incomes of low-wage working parents. The EITC is one of our most successful programs for fighting poverty and encouraging work:

  <u>Lifts more than 4 million Americans out of poverty</u>. The EITC lifted 4.3 million Americans out of poverty in 1997 -- more than double the number in 1993.

  <u>Dramatically reduces child poverty</u>. In 1997, the EITC reduced the number of children living in poverty by 2.2 million. This report finds that over half of the decline in child poverty between 1993 and 1997 can be explained by changes in taxes, most importantly the EITC.

  <u>Encourages work among single women with children</u>. In 1992, 73.7 percent of single women with children were in the labor force. In 1997, 84.2 percent of such women were in the labor force. The percentage of single women with children who received welfare and did not work has been cut by more than half -- from 19.3 percent in 1992 to 8.3 percent in 1997. Research studies suggest that the increase in labor force participation among single mothers is strongly linked to the expansion in the EITC.

- Increases in the minimum wage have been important in raising the earnings of low-wage workers. Empirical research suggests that recent minimum wage increases have had little or no adverse effect on employment.

- The combined effects of the minimum wage and the EITC have dramatically increased the returns to work for families with children. Between 1993 and 1997, families with one child and one earner who worked full-time at the minimum wage (i.e., $4.72 in 1993 and $5.15 in 1997, in 1997 dollars) experienced a 14 percent -- $1,402 -- increase in their income, after inflation, just because of these two policies alone. Similar families with two children experienced a 27 percent -- $2,761 -- increase in their income.

Good News for Low Income Families: Expansions in the Earned Income Tax Credit and the Minimum Wage

1. The Labor Market Continues to Perform at a Record Pace

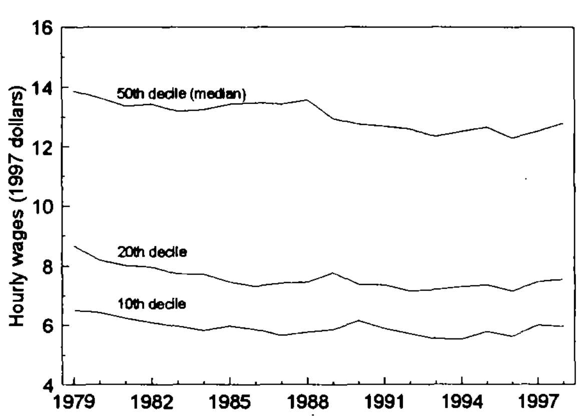
American workers are currently benefiting from the strongest labor market in a generation. Employment is at an all-time high, with 132 million Americans at work in November 1998, up from 119 million in January of 1993. Only 4.4 percent of the labor force is unemployed, having fallen by 2.9 percentage points since this Administration took office; the unemployment rate is now at its lowest level since 1969. Moreover, wages of workers are up sharply in the past several years, with a gain in median wages (after inflation) of 4.4 percent from 1996 through August of this year. As this report indicates, these gains are particularly strong among low-wage and disadvantaged workers, following more than a decade of labor market losses. Administration policies have been important in helping those at the bottom end of the labor market begin to catch up and share in the overall economic growth of the 1990s.

2. Low-Wage and Disadvantaged Workers are Making Particularly Large Gains

Low-wage and disadvantaged workers have experienced substantial gains in wages and employment. The real wages of low-wage male workers have shown large increases in the past few years, in contrast to the period from 1979 to 1993, when they declined by 14.7 percent. (We define low-wage as those workers at the bottom decile of the wage distribution.) Among low-wage women, the decline was 15.8 percent over this period. Charts 1 and 2 show recent significant improvements in real wages among all workers, but with particularly large gains among the lowest paid. Since 1996, men in the bottom decile have increased their earnings by 5.7 percent after inflation (Chart 1), while women have gained 6.1 percent (Chart 2).

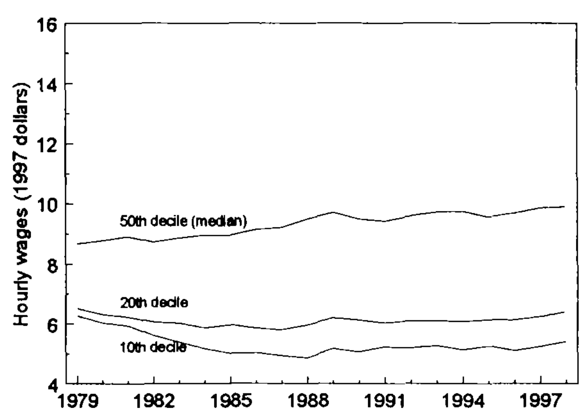
At the same time, unemployment rates among the least skilled have plummeted. When this Administration took office in 1993, 11.1 percent of workers without a high school degree were unemployed; today that rate has fallen to 7.2 percent. Among high school graduates (with no college), the rate has fallen from 6.6 to 3.9 percent. Hence, low-wage workers are working more and earning more for every hour that they work.

Chart 1: Hourly Wages of Men Aged 16 and Over



Note: 1998 figure is the January through August average.

Chart 2: Hourly Wages of Women Aged 16 and Over



Note: 1998 figure is the January through August average.

One group in particular -- single mothers -- has also experienced significant increases in labor force participation during this time period. Labor force participation rates among single mothers began to climb in 1993 after remaining essentially unchanged at 74 percent since 1984. By 1997, 84 percent of single mothers were in the labor force, a marked change for a group that has traditionally had extremely high rates of poverty and welfare usage.

3. Administration Policies Have Played a Key Role in These Gains

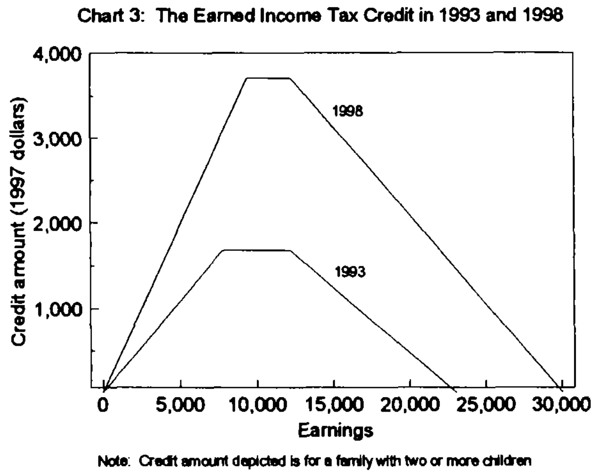
The strong overall economy has been an important factor in increasing the wages and employment of less-skilled workers. Typically, employment among workers with less education is more sensitive to changes in the economy, with larger gains in recoveries and larger losses in downturns. This Administration has worked hard to maintain an environment in which economic growth can flourish and American businesses can compete fairly, both at home and abroad. However, the strong economy is not the only reason for these gains among less skilled workers. Administration policies to "make work pay" by expanding the Earned Income Tax Credit and raising the minimum wage have also been important.

3.1 Expanding the Earned Income Tax Credit

Description of the EITC

The goals of the Earned Income Tax Credit (EITC) are to make work pay, to help ensure that working parents do not have to raise their children in poverty, and to offset the total tax burden of low and moderate income working families. As a result, the EITC eases the transition from welfare to work. To achieve these goals, the EITC consists of a refundable tax credit for working families with low incomes that offsets a family's total tax burden. Because the credit is refundable, individuals can receive the full amount to which they are entitled even if the amount exceeds the individual income taxes they owe. About 80 percent of EITC payments offset individual income, social security, and other Federal taxes borne by families receiving the credit.

Only families that work are eligible for the tax credit, and the amount of the credit depends on a family's labor market earnings. In 1998, for every dollar a low-income worker earns up to an established limit, as much as 40 cents is added to compensation in the form of a tax credit. In particular, the amount of the credit rises with earnings up to a maximum credit of $2,271 for a family with one child and $3,756 for a family with two or more children. The credit is flat for a range of earnings and then is phased out.



The EITC was significantly expanded in the Omnibus Budget Reconciliation Acts (OBRA) of 1990 and 1993. As a consequence of these expansions, the EITC now provides a greater incentive for labor force participation than in 1993. In 1993, very low-income parents receive an additional 19 to 20 cents for each additional dollar earned. In 1998, a very low income parent with one child will receive 34 cents for additional earnings; if he or she has two children, the EITC will add 40 cents to their take-home pay (Chart 3).

OBRA 1993 significantly increased the credit for families with two or more children. The maximum credit was increased by over $1,500 (1998 dollars), while eligibility for the credit was extended to families with incomes up to $30,050 (or about $3,600 above the prior law level). In addition, the 1993 expansion helped lower taxes for 15 million working families in 1996.

About 19.7 million workers are expected to claim the EITC in tax year 1998, receiving an average credit of $1,547. About 16.5 million of these claims will be for workers living with children, who will receive an average credit of $1,807.

The EITC is a non-bureaucratic way to reward work effort. There are no middlemen service providers, no long lines at government offices, and there is no need to take time off from work to apply for the credit. Working families apply directly to the Internal Revenue Service for the EITC and generally receive the credit as part of their tax refund.

Participation in the EITC

While the EITC offers a substantial incentive to work and move out of poverty, the credit is effective if low-income families apply for it. A relatively high fraction of families eligible for the EITC -- 81 to 86 percent in 1990 -- have claimed the credit.[1] The participation rate has been substantially higher than those for other antipoverty programs, including AFDC (62 to 72 percent in 1986/87), and Food Stamps (54 to 66 percent in 1986/87).[2]

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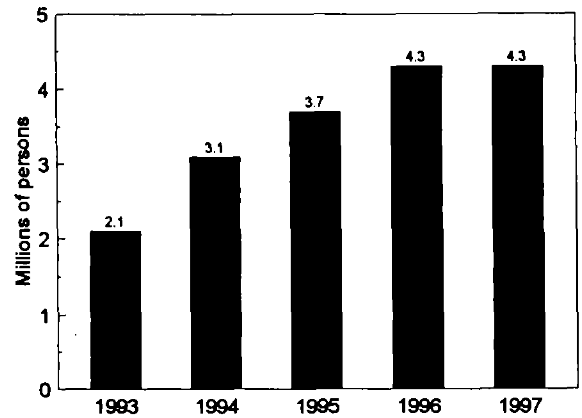
[1]Scholz, J.K. (1994). "The Earned Income Tax Credit: Participation, Compliance, and Antipoverty Effectiveness." *National Tax Journal,* 59-81.

[2]Blank, R. and P. Ruggles (1996). "When Do Women Use AFDC and Food Stamps? The Dynamics of Eligibility vs. Participation." *Journal of Human Resources*, 57-89.

The EITC has reduced poverty

The EITC is targeted to families living in poverty with the goal of lifting their income above the poverty line. As shown in Chart 4, the latest estimate from the Census Bureau shows that the EITC removed 4.3 million persons from poverty in 1997, which is more than double the number who were removed from poverty in 1993.

Chart 4: Number of People Removed from Poverty by the EITC



Over half of the people removed from poverty by the EITC (2.2 million) were children under the age of 18, and 1.8 million were living in families headed by unmarried women. Updating analyses reported in the 1998 Economic Report of the President, it is found that over half of the decline in child poverty between 1993 and 1997 can be explained by changes in taxes, most importantly the EITC (Table 1). In addition, the EITC removed about 1.1 million African-Americans and nearly 1.2 million persons of Hispanic origin from poverty in 1997. It is clear that the EITC has become a major weapon in our fight against poverty.

The EITC has increased the labor force participation of single mothers

Between 1993 and 1997, the real value of the maximum EITC payment increased by 38 percent for single mothers with one child and by 116 percent for single mothers with two or more children.[3] These increases coincided with the period when the proportion of single mothers in the labor force increased dramatically, from 73.7 percent in 1992 to 84.2 percent in 1997.

In contrast, the labor force participation of single women without children -- who became eligible for a very small credit in 1994 if their earnings were very low -- did not change over this period (Chart 5). As Chart 6 indicates, the difference in the labor force participation rates of single women with and without children has closely tracked the growth in maximum EITC

Chart 5: Labor Force Participation Rates of Single Women With and Without Children

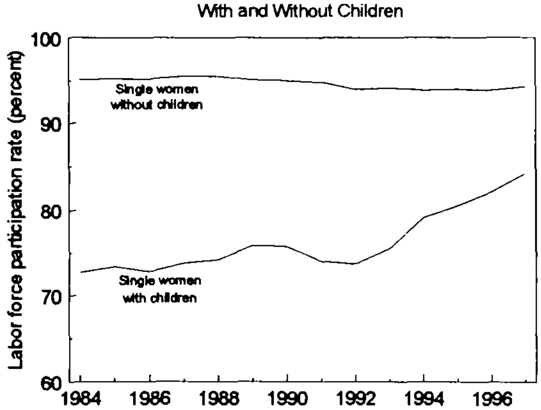
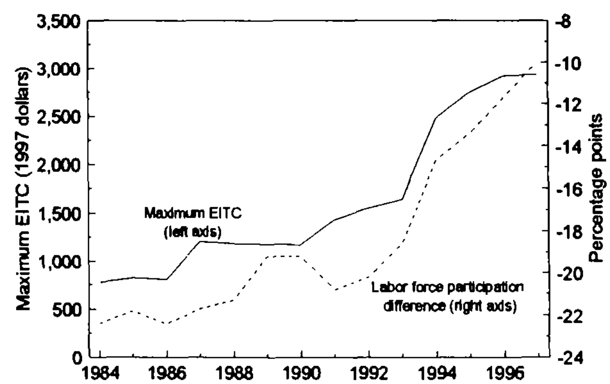


Chart 6: Maximum EITC and Difference in Labor Force Participation Between Single Women With and Without Children



Note: After 1990, the maximum EITC is the average of the maximum for taxpayers with one child and with more than one child

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[3]The same numbers apply to two-parent families.

benefits.[4]

One recent study concluded that as much as 60 percent of the increase in employment of single mothers since 1984 was attributable to expansions in the EITC.[5] For the period between 1992 and 1996, the EITC explains 33 percent of the increase in annual employment. A second study examined the 1986 EITC expansion, which was more modest than the 1993 expansion, and found that it significantly increased labor force participation among single mothers, especially for less educated women.[6] Yet another study found that the EITC could result in an increase in labor supply of 19.9 million hours in 1996 relative to 1993 law and induce 516,000 families to move from welfare into the workforce.[7]

EITC benefits for married couples are based on the combined earnings of both husband and wife. Hence, married couples are more likely than single parent families to fall in the range of earnings where the EITC is being phased out. This has caused some researchers to predict that the EITC might cause a decrease in hours of work among married couples. However, the limited available evidence suggests that the expansions in 1986, 1990, and 1993 had modest disincentive effects of 1.2 percentage points on labor force participation of wives, and they actually had a small positive effect on married men (of 0.2 percentage points).[8]

How is the extra income from the EITC being used?

Most families receive their EITC dollars at tax payment time, in the form of a larger refund. A recent study interviewed low-income workers who had gone to a volunteer tax preparation office in Chicago for assistance with their tax return. The study asked the workers what they planned to do with the EITC they were expecting to receive and found that 61 percent planned to use at least some of their refund for investment purposes, such as to pay for education (9 percent), repair, buy, or finance a car (10 percent), or to pay for a move (5 percent). Twenty-

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[4]Liebman, J.B. (1998). "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution." *Tax Policy and the Economy*, 12, 83-119.

[5]Meyer, B., and D.T. Rosenbaum (1998). "Welfare, the Earned Income Tax Credit, and the Employment of Single Mothers." Department of Economics, Northwestern University.

[6]Eissa, N. and J.B. Liebman (1996). "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics*, 111(2): 605-637.

[7]Dickert, S., S. Houser, and J.K. Scholz (1995). "The Earned Income Tax Credit and Transfer Programs: A Study of Labor Market and Program Participation." *Tax Policy and the Economy*, 9, 1-50.

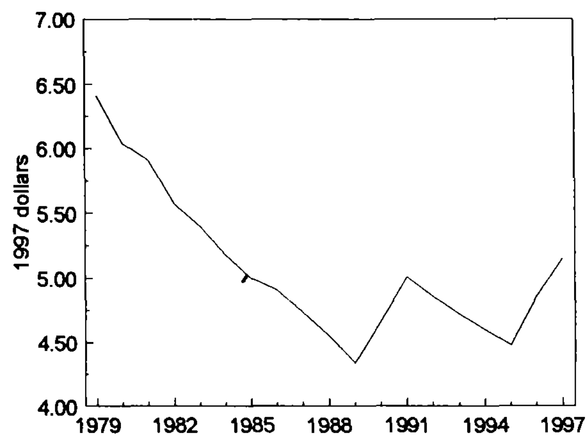
[8]Eissa, N. and H.W. Hoynes (1998). "The Earned Income Tax Credit and the Labor Supply of Married Couples." Department of Economics, University of California, Berkeley.

eight percent said they were saving at least some of the EITC for future use.[9]

3.2 Increasing the Minimum Wage

The Administration has fought for increases in the minimum wage, and on October 1, 1996 the rate was raised from $4.25 to $4.75. The rate was increased again to $5.15 on September 1, 1997. Prior to these increases, it had been five years since the minimum wage was last raised, and its real value had decreased by 15 percent (Chart 7).

Chart 7: The Real Value of the Minimum Wage



As shown in Charts 1 and 2, the wages of low-wage workers increased substantially since 1996, and the recent minimum wage increases are likely to explain much of this rise. It has been estimated that almost 10 million workers benefited from the recent minimum wage hikes.[10]

Most of the workers benefiting from the wage increases are adults from lower income families, and their wages are a major source of their family's earnings. Among workers who were earning between $4.25 and $5.15 just prior to the minimum wage increases, 71 percent were adults (20 or older), 58 percent were women, and one-third were black or Hispanic workers. Almost half of the affected workers (46 percent) worked full-time, and most of the low-wage workers were in low-income households. That is, over half of the benefits from the minimum wage increases were received by households in the bottom 40 percent of the income distribution. And in 1997, the earnings of the average minimum wage worker accounted for 54 percent of their family's total earnings.

One of the potential side effects of increasing the minimum wage is a reduction in employment. That is, with labor more expensive, some firms may hire fewer workers. Many empirical studies have examined this issue, and the weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment. In fact, a recent study of the 1996-97 wage increases used several different methods and found that the employment effects were statistically insignificant. Moreover, the unemployment rates of African-American teens and high school dropouts, who are two groups of workers most likely to be

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[9]Smeeding, T., K. Ross, M. O'Connor, and M. Simon (1998). "The Economic Impact of the Earned Income Tax Credit (EITC)." Center for Policy Research, Maxwell School of Public Policy, Syracuse University.

[10]This finding, and the subsequent two paragraphs are based on: Bernstein, J., and J. Schmitt (1998). *Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase*. Economic Policy Institute, Washington, D.C.

affected by the wage hike, are lower today than they were just prior to the increases.

4. The Combined Effects of EITC and Minimum Wage Expansions

Increases in the minimum wage and expansions in the EITC reinforce each other. Among low-wage workers, these changes have produced substantial increases in income. Table 2 demonstrates the combined effect of the two policies (after inflation), comparing 1993 and 1997 (as if the minimum wage was in effect the full year). During this period the minimum wage rose by 9 percent, while the maximum EITC credit rose by 38 percent for one-child families (116 percent for two-child families). For families with one earner working full-time at the minimum wage, their combined earnings-plus-tax refund would have risen 14 percent if they had one child (27 percent if they had two or more children). This is a significant gain in real purchasing power among these parents.

As the bottom of Table 2 demonstrates, full-time work at the minimum wage no longer leaves families below the poverty line. As a result of these policy changes, one and two-child families with a single full-time minimum wage worker now earn enough to escape poverty.

5. Conclusion

The past several years have been very good ones for less-skilled workers in the labor market. Wages are up and unemployment is down. Among single mothers, many more are participating in the labor market, while welfare caseloads have declined steeply. The research evidence indicates that these gains partially reflect the strong economy, but that the gains have been reinforced by Administration policies that have increased the financial rewards for low-wage and less skilled persons to work.

Providing the economic incentives to work are an important legacy of this Administration. These gains mesh well with other goals this Administration has pursued, such as adequate child care for the children of working mothers and available training for those workers who want to increase their skills and work opportunities. In the long run, a healthy strong economy must rely on a trained and hard-working labor force, with opportunities for both the more and less educated. There has been real progress toward this goal in recent years.

Table 1. Factors Accounting for Changes in Child Poverty

	1979-97	1979-89	1989-93	1993-97
Changes to official poverty rate attributable to changes in:				
Family structure	2.1%	1.2%	0.8%	0.3%
Earnings and other before-tax-and-after income	1.4%	1.1%	3.5%	-3.6%
Cash social insurance and welfare payments	0.3%	1.0%	-1.1%	0.5%
Total change in official poverty measure	3.8%	3.2%	3.1%	-2.8%
Change in extended poverty rate attributable to changes in:				
Means-tested food and housing transfers	0.4%	0.4%	-0.3%	0.4%
Taxes	-2.3%	0.3%	0.0%	-2.6%
Total change in extended poverty rate	1.9%	4.0%	2.9%	-5.0%

Table 2. The Effects of Changing Minimum Wage and EITC on Earnings of Single Parents
(All numbers in $1997)

	1993	1997	Percent Change
Program Parameters			
Minimum wage	$4.72	$5.15	9
Maximum EITC			
One-child family	$1,602	$2,210	38
Two-child family	$1,689	$3,656	116
Earnings minus taxes*			
One-child family	$10,320	$11,722	14
Two-child family	$10,407	$13,168	27
Ratio of earnings minus taxes to poverty line			
One-child family	0.93	1.06	
Two-child family	0.80	1.02	

*Assumes one earner works full-time/full-year (2000 hours) at minimum wage. Taxes include income taxes (including the EITC) and employee share of social security taxes.

"The Forgotten Half" Ten Years Later

The nearly 10 million 18 to 24 year old Americans who don't go on to college after high school aren't doing as well at the end of the 1990's as they were a decade ago. In 1988, these young adults were the focus of two landmark reports which called the nation's attention to young people's shaky prospects for successful passage to productive, adult lives. These reports, *The Forgotten Half: Non College Youth in America* and *The Forgotten Half: Pathways to Success for America's Youth and Young Families*, were both produced by the William T. Grant Foundation Commission on Work, Family and Citizenship.

According to the reports' follow up, *The Forgotten Half Revisited: American Youth and Young Families 1988-2008*, while some progress is visible, today's young people are still losing ground. Samuel Halperin, editor of the new report and study director for those previous, concludes that there has been scant progress in some areas and some regression elsewhere. For instance, ten years ago, most young people who were not going to college, and receiving little adult or public assistance, were found to be making the transition to adulthood with ever increasing difficulty- this situation has only marginally changed.

In fact, some of the more striking indicators examined in the follow up, such as education and employment, show stagnated growth or regression. To complicate matters, respected trend spotter, Daniel Yankelovich, points out that America as a society is beset by negative images of youth in areas across the board (education, moral values). Does this detract from or create governmental response to young people's needs? *The Forgotten Half Revisited* not only tells us where we've been and what progress, if any, we have made, it is meant to be used as a blueprint for informing us where and what types of interventions need be applied.

The Indicators

Employment and Wages: Down and Unpromising

The critical transition from school to work is harder for young people today, than a decade ago. Moving to permanent employment is taking longer, young workers who do not go on to college or career training are experiencing longer periods of unemployment and relying more than ever on part-time jobs, and tenure at all jobs is shorter and less stable.

Even in a booming economy, full and part time employment rates for young adults are lower now than in 1989. For minority youth, full time employment is 20 to 30% lower than their white counterparts. Overall, inflation adjusted earnings for 20-24 year olds fell by one third for young men and 16.5% for young women. Meanwhile more than one fourth of out of school young adults working full time in 1997 were earning less than the poverty line income standard of just over $16,000 [annually for a family of four].

Social Indicators: Persistent Negative Trends

Social indicators show home ownership for young families falling from 49% to 38% between 1980 and the 1990's. The number of incarcerated men under the age of 25 doubled between 1986 and 1995. On any given day in America, one in ten 20-29 year old males is in jail, on probation, or on parole. Of the four million births annually in America, one in eight is to a teenager, one in four to an unmarried mother with less than a high school education, and one in three to a mother living in poverty. And, the rate of teen deaths by homicide more than doubled from 1985 to 1994 with African American males being eight times more likely to be murdered than their Caucasian peers.

Educational Attainment: Moderately Encouraging

The data on educational attainment is uneven but slightly more positive. From 1990 to 1997, the percentage of adult Americans who earned a high school diploma or GED rose from 28.3% to 31.4%. The percentage of those earning a bachelor's degree rose from 11.4% to 14.1% and high school dropout rates fell from 9.5% in 1985 to 7.3% in 1996.

However, the most influential factor determining educational attainment still remains family income- with the income gap among families becoming wider. Families in the lowest income quartile have a high school graduation rate of 67%, compared to 94% among students with families in the top income quartile. Students from families in the top quartile are also up to ten times more likely to earn a college degree. Furthermore, while more Americans are going to college, the proposition that everyone in America goes to college remains a myth.

School Reform: Mixed Indications

The Forgotten Half of ten years ago may be more nearly a "Forgotten Third" today as more high school graduates begin (but not necessarily complete) postsecondary education. Although some reforms are taking hold- more rigorous coursework, higher standards, tougher graduation requirements- the academic performance of America's students still lags behind that of their international peers, leading the report to conclude, that curriculums be altered to introduce more difficult subjects earlier and often. While the initial news on reform is encouraging, the bad news is that those who are left behind or dropout, face bleaker economic futures than did their counterparts in the 1980's. As education and skills have become increasingly vital to adult success, we are still losing a third or more of our young people to limited economic futures.

The Community Response: Promising Signs

Among the most heartening news is what is happening for young people in communities. A new brand of youth-focused initiatives moving towards *community* generated responses to young adult problems, as opposed to top down, imposed solutions, are unfolding. Assuming their roles as "keepers of values" and "human ecosystems," individual communities are recognizing and embracing the importance of strengthening the next generation of leaders, workers and parents.

Youth Service: A Bright Spot

Evaluations of the many youth service programs begun since publication of the 1988 report, reveal that young people *have* responded positively to national and community service, and that such service has a positive effect on academic performance, building character and forming values. It is the forecast of the report, that we *can* make service a common experience of American youth.

Youth Development: A Call Heard
Ten years ago *The Forgotten Half* was in the forefront of a call to shift the emphasis of our concerns for youth from treatment and deterrence, to positive youth development. That call has generated a surprising energy and enthusiasm with the most encouraging outcome being increased acceptance of youth development as a broad, national goal, requiring monitoring and intervention.

Conclusion: The Nation's Best Investment
In a concluding essay, *The Forgotten Half Revisited* reminds us that the most powerful, and least expensive strategy for solving the problem facing America's young adults, remains prevention, particularly through large scale expansion of early childhood programs including quality Head Start. Overall, vigorous efforts to build "social capital"- opportunities for youth to gain skills and knowledge, along with the requisite support services- are what is needed to compliment the successes our country *has* seen in boosting educational attainment. More focused initiatives across communities and social institutions can still make a difference.

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: Shirley Sagwa and Nicole Rabner

RE: Discrepancies between The Forgotten Half and the Council of Economic Adviors EITC and Minimum Wage Report

DATE: January 27, 1999

You asked us to analyze why The Forgotten Half Revisited (TFH) and the CEA Reports paint such different pictures of the economic status of low income Americans. The short answer is that the two used different time frames and different segments of the populations for their analysis.

TFH looks at the circumstances of less-educated young people (18 to 24), comparing 1996 data with 1988 or, in some cases, 1973 data. The CEA looks at the effect of minimum wage and EITC on low-wage workers of all ages and levels of education, with an emphasis on families (note, for example, that many 18 to 24 year olds do not have children and therefore do not qualify for EITC). CEA uses as its baseline 1993, with particular emphasis on the dramatic improvements that occurred between 1996 and 1998 -- a period in large part not examined by TFH.

One other distinction worth noting: TFH looks more broadly at the quality of jobs young people have (health insurance availability, opportunity for advancement, etc.), while CEA looks only at labor force participation and family income.

The attached memo by MaryEllen McGuire provides more detail on the differences between the two reports.

To: Shirley Sagawa
From: MaryEllen McGuire
Re: **Discrepancies between The Forgotten Half and The Council of Economic Advisors EITC and Minimum Wage Report**
Date: January 10, 1998

To reconcile what appear to be discrepancies in the economic and social reporting of The Forgotten Half (TFH) and The Council of Economic Advisors EITC and Minimum Wage Report (CEA Report), consider each reports' intended emphasis, target population, and the time span they consider. When we look at these factors together, the two reports are rarely, if at all, at odds.

Differences in Focus:
The objective of TFH was to explore the educational, political, social and economic plight of our less educated youth, those 18-24 year olds who have not attended college and some of whom dropped out of high school. The objective of the CEA Report was to highlight the efforts of two very specific government programs on low wage American families, namely the Earned Income Tax Credit (EITC) and the minimum wage hike. The CEA report gives no special attention to the age of its' heads of households and does not on the surface appear to make reference to levels of education. One could however make the case that educational attainment *is* being considered in the CEA Report, as the majority of Americans in low income households are headed by adults with lower levels of education.

In addition, the two reports use different time spans: TFH charts young adults' progress over the past ten years, while the CEA report covers the period from 1993-1998, with particular emphasis on 1996 to the present. When one puts all three of these differences into a larger context- report objectives/ intended focus, target population and time span covered- what appear to be discrepancies among the reports are actually complementary pieces of information.

Issue of Unemployment/ Quality of Work
When you consider different populations examined, it makes sense that individuals considered to be part of TFH are doing less well than American families overall. Mountains of evidence, and even the CEA Report, demonstrate that in an increasingly educated and specialized workforce, those with only a high school diploma or less are at a great disadvantage for obtaining and maintaining employment that accords an acceptable standard of living.

TFH asserts that those who don't go on to college, and especially high school drop outs, are more likely to experience periods of unemployment. CEA agrees. According to CEA figures, while unemployment sits currently at 4.4%, the lowest rate since 1969, individuals with less than a high school diploma experience unemployment at a higher rate of 7.2%. CEA would point out however, that this 7.3% level is an improvement over 11.1% in 1993.

One cohort that has not seen an improvement in its levels of employment, and has seen a 3% rise in *un*employment (to 11%), is that of males 16-24. CEA does not examine this group as a separate entity, partly because they only look at American families and most males 16-24 would not qualify as heads of households.

TFH, unlike the CEA Report, also pays special attention to the nature and quality of employment; whether an earner is working one full time job or several part time jobs, and whether or not a worker is being afforded health insurance. CEA does not appear to consider how a 40 hour work week is constituted and does not consider the issue of insurance. It does however pay special attention to the number of people, especially children, that are being lifted out of poverty by the EITC and minimum hike wage. TFH is focused not so much on the poverty line but on broader issues and better quality of life.

One fact that both reports celebrate is that more single mothers are participating in today's workforce. The CEA report attributes this to the fact that through the EITC and minimum wage hike, the Administration is making work pay. TFH mentions the EITC as an admirable government credit with the single highest participation rate of any anti poverty program. It does not speak of the EITC in any depth.

The Wage Issue

The CEA Report speaks very highly of a 4.4% growth in median wages from 1996 to 1998 for low income wage earners and attributes a great deal of this growth to the 9% hike in the minimum wage which it estimates has affected 46% of low income households. While TFH may not disagree with this, it is their point that *despite* significant gains over the past few years, real weekly earnings are still down $128 since 1973, and while young families are recouping in the 90's from the wage losses of the 80's, they are still earning quite a bit less than their peers just one generation earlier--with high school graduates experiencing the greatest loss in purchasing power.

Poverty Rates

The CEA Report pays special attention to poverty rates and the effect the EITC appears to have had on them. TFH notes that poverty rates are down from 1996, but still up from the 1980's. It negatively reports that high school drop outs are much more likely to be poor than high school or college graduates and positively reports that single mothers are more likely to be employed and earn higher wages than before [which the CEA Report attributes to the EITC and minimum wage hike].

Conclusion

The CEA Report emphasizes that Administration policies, especially as they relate to the EITC and minimum wage hikes, have played a key role in the employment and wage gains over the past two years. I do not think that TFH would disagree. TFH would note however, that young people with the lowest levels of education are experiencing unemployment at much higher rates than any other cohort, and that real wages are still lower than they were a generation earlier. TFH would not dispute the CEA that gains have been made, but would like to see that these gains are extended further.

	The Council of Economic Advisors Report (CEA Report)	The Forgotten Half (TFH)	Comparison
Report Focus	The CEA Report focuses on the effects of two very specific government programs, the Earned Income Tax Credit and the minimum wage hike on American families, particularly low income families.	TFH focuses on the educational, political, social and economic plight of the nearly 10 million Americans, aged 18-24 years old, who do not go on to college after high school [and who may not have even finished high school].	-CEA report focuses on the effects of two government programs -TFH is wider in scope looking at the educational, political, social and economic plight of our young people
Population Focus	Low income families.	A particular age cohort of particular educational attainment: 18-24 year olds with no college and/or no high school diploma- about 40% of young people.	-CEA report focuses on families with no particular age given emphasis -TFH focuses on 18-24 year olds, and at times 16-24 year olds -TFH pays close attention to educational attainment -the fact that the CEA Report examines the plight of low income families suggests attention to those with less education as low income families are likely to be headed by adults with lower levels of education
Time Span	1993-1998, particularly the last two years	The last ten years, 1989-1999	-TFH looks at a much broader time span including time spent outside this Administration
General Message	Low income families are doing much better today than they were just two years ago (1996).	Today's young adults without a college degree are having a much harder transition into adulthood than their college educated peers. Lack of higher education continues to be a barrier to economic opportunity.	-Not in opposition -TFH does seem to agree that there have been overall unemployment and wage improvements over the past two years but compared to the larger picture, the past ten years, we have still not recouped, especially where are young people are concerned

Thoughts on Unemployment	The labor market is in great shape and continues to perform at record pace. -Unemployment in '98 was only 4.4%, the lowest rate since '69 -agrees that the employment outlook is not as good for the less educated but is improved since '93 no high school degree: '93 unemployment 11.1% '97 unemployment 7.2% high school only: '93 unemployment 6.6% '97 unemployment 3.9% -more single moms are in the workforce in '92 -73.7% at work, in '97- 84.2% at work -unemployment overall is down	Focusing *exclusively* on the 18-24 year old cohort: -those who don't go on to college, and especially high school drop outs, are more likely to experience periods of unemployment and rely on PT work for more years -young males are less likely to make a single transition to the work force -in '97 only 56.3% of 16-24 year olds find FT work, 3% less than '89 -FT work highly correlates to education dropouts 34.9%, high school 60%, BAs 82.3% -Top 40% of families enjoy rising income, most others stagnant or earn less	-both would agree that unemployment is down overall -fact is young people with less education still find work less -point is when finding work AGE is a significant variable, as is level of education
Thoughts on Wage Growth	-from '96 to '98 there has been a 4.4% gain in median wages, especially among low income earners -there has been a substantial increase in minimum wage since '96 ($4.25 to $5.15) -from '93 to '97 the minimum wage rose 9% with an estimated 10 million people benefitting -46% of those benefitting worked full time -most benefitting are low income workers -BUT, real value of hike is still less than wages earned in '84/'85 -overall wages up	-TFH are experiencing less permanent wage growth -real weekly earnings are down '73 to '98 from $463 to $335 -earners are however at their highest levels in the 90s, with '98 showing the best performance in 20 years -BUT, inflation adjusted earnings are still 1.3 less than a generation earlier, 24 years ago -in '97 under 25's earned 51.5% of over 25's -young families are recouping in the 90s but still below what young families made 24 years ago - high schools grads are losing the most purchasing power -families led by those with four year degrees did better, but even they earned less	-remember that CEA makes no age distinctions, refers mostly to wage hikes over the last two years due to the minimum wage jump, and is only comparing '96 to '98 without looking at how this admitted jump compares to ten years ago -both agree real earnings are not where they were a generation ago -both agree there has been wage improvement recently

Poverty Rates/ Poverty Rates for Children	-in 1997, the EITC reduced the number of children living in poverty by 2.2 mill -over half of the decline in poverty from '93 to '97 can be explained by changes in taxes, most importantly the EITC	-Poverty rates in '96 down 2% from '92 but still up from 21% in '80s -1/4 young families live in poverty -high school dropouts are more likely to be poor: 64% of poor are dropouts, 34% have only high school degrees, 7% have BA's -poverty rates are higher in '96 than '89 except for four year degree holders -Except for children living in families headed by 4 year college grads, poverty rates for children were higher in '97 than '89 -kids in single mother families are most likely to be poor but these moms are doing better, more likely to be employed and earn higher wages now	-looking at entirely different time spans -poverty is getting better but still higher than a decade earlier -both agree with strides in single mothers' condition
EITC	-Administration's polices have played a key role in unemployment/ wage gains -the Administration made work pay through the EITC and minimum wage hike -in '97 the EITC raised 4.3 million out of poverty, more than double the '93 rate -The EITC supplemented the incomes of low wage working parents	-recognizes the EITC as a good safely net, as the government program that helped the poor the most -lifted 2.4 mill kids out of poverty in '96, 37.3% of the poor kids -EITC provides a powerful work incentive -EITC has the highest participation rate of any anti poverty program: 81-86%	-both agree the EITC is pulling people out of poverty -TFH does not look at the EITC in depth

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The nearly 10 million 18 to 24 year old Americans who don't go on to college after high school aren't doing as well at the end of the 1990's as they were a decade ago. In 1988, these young adults were the focus of two landmark reports which called the nation's attention to young people's shaky prospects for successful passage to productive, adult lives. These reports, *The Forgotten Half: Non College Youth in America* and *The Forgotten Half: Pathways to Success for America's Youth and Young Families*, were both produced by the William T. Grant Foundation Commission on Work, Family and Citizenship.

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The ~~Areas~~ Indicators ~~Explored~~

Employment and Wages: Down and Unpromising

The critical transition from school to work is harder for young people today, than a decade ago. Moving to permanent employment is taking longer, young workers who do not go on to college or career training are experiencing longer periods of unemployment and relying more than ever on part-time jobs, and tenure at all jobs is shorter and less stable.

Even in a booming economy, full and part time employment rates for young adults are lower now than in 1989. For minority youth, full time employment is 20 to 30% lower than their white counterparts. Overall, inflation adjusted earnings for 20-24 year olds fell by one third for young men and 16.5% for young women. Meanwhile more than one fourth of out of school young adults working full time in 1997 were earning less than the poverty line income standard of just over $16,000 [annually for a family of four].

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Social indicators show home ownership for young families falling from 49% to 38% between 1980 and the 1990's. The number of incarcerated men under the age of 25 doubled between 1986 and 1995. On any given day in America, one in ten 20-29 year old males is in jail, on probation, or on parole. Of the four million births annually in America, one in eight is to a teenager, one in four to an unmarried mother with less than a high school education, and one in three to a mother living in poverty. And, the rate of teen deaths by homicide more than doubled from 1985 to 1994 with African American males being eight times more likely to be murdered than their Caucasian peers.

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The data on educational attainment is uneven but slightly more positive. From 1990 to 1997, the percentage of adult Americans who earned a high school diploma or GED rose from 28.3% to 31.4%. The percentage of those earning a bachelor's degree rose from 11.4% to 14.1% and high school dropout rates fell from 9.5% in 1985 to 7.3% in 1996.

However, the most influential factor determining educational attainment still remains family income- with the income gap among families becoming wider. Families in the lowest income quartile have a high school graduation rate of 67%, compared to 94% among students with families in the top income quartile. Students from families in the top quartile are also up to ten times more likely to earn a college degree. Furthermore, while more Americans are going to college, the proposition that everyone in America goes to college remains a myth.

School Reform: Mixed Indications
The Forgotten Half of ten years ago may be more nearly a "Forgotten Third" today as more high school graduates begin (but not necessarily complete) postsecondary education. Although some reforms are taking hold- more rigorous coursework, higher standards, tougher graduation requirements- the academic performance of America's students still lags behind that of their international peers, leading the report to conclude, that curriculums be altered to introduce more difficult subjects earlier and often. While the initial news on reform is encouraging, the bad news is that those who are left behind or dropout, face bleaker economic futures than did their counterparts in the 1980's. As education and skills have become increasingly vital to adult success, we are still losing a third or more of our young people to limited economic futures.

The Community Response: Promising Signs
Among the most heartening news is what is happening for young people in communities. A new brand of youth-focused initiatives moving towards *community* generated responses to young adult problems, as opposed to top down, imposed solutions, are unfolding. Assuming their roles as "keepers of values" and "human ecosystems," individual communities are recognizing and embracing the importance of strengthening the next generation of leaders, workers and parents.

Youth Service: A Bright Spot
Evaluations of the many youth service programs begun since publication of the 1988 report, reveal that young people *have* responded positively to national and community service, and that such service has a positive effect on academic performance, building character and forming

values. It is the forecast of the report, that we *can* make service a common experience of American youth.

Youth Development: A Call Heard

Ten years ago *The Forgotten Half* was in the forefront of a call to shift the emphasis of our concerns for youth from treatment and deterrence, to positive youth development. That call has generated a surprising energy and enthusiasm with the most encouraging outcome being increased acceptance of youth development as a broad, national goal, requiring monitoring and intervention.

Conclusion: The Nation's Best Investment

In a concluding essay, *The Forgotten Half Revisited* reminds us that the most powerful, and least expensive strategy for solving the problem facing America's young adults, remains prevention, particularly through large scale expansion of early childhood programs including quality Head Start. Overall, vigorous efforts to build "social capital"- opportunities for youth to gain skills and knowledge, along with the requisite support services- are what is needed to compliment the successes our country *has* seen in boosting educational attainment. More focused initiatives across communities and social institutions can still make a difference.

AMERICAN YOUTH POLICY FORUM

"THE FORGOTTEN HALF" TEN YEARS LATER

FOR IMMEDIATE RELEASE

CONTACT
Samuel Halperin or Sarah Pearson
202/775-9731

Washington, DC - The nearly ten million 18-to-24 year-old Americans who don't go on to college after high school aren't doing as well at the end of the 1990s as they were a decade ago. In 1988, these young Americans were the focus of two landmark reports, *The Forgotten Half: Non-College Youth in America* and *The Forgotten Half: Pathways to Success for America's Youth and Young Families*, both by the William T. Grant Foundation Commission on Work, Family and Citizenship, which called the nation's attention to their shaky prospects for successful passages to productive adult lives.

While some progress is visible, "These young people are still losing ground" on many fronts, according to **Samuel Halperin**, editor of *The Forgotten Half Revisited: American Youth and Young Families, 1988-2008.* Halperin, who also served as study director for the 1988 reports, writes: "There has been scant progress in a few areas and quite substantial regression elsewhere. Ten years ago, most young people who were not going to college were receiving little adult or public assistance and, only with great difficulty, making the transition to adulthood. Their situation has changed only marginally since then."

Most key indicators -- as examined in essays by 15 prominent experts and commentators on such topics as public schooling, postsecondary education, family life, preparation for employment, youth and community development, and national service, show either disturbing stagnation or, in some areas, marked retrogression. Nationally-respected trend-spotter **Daniel Yankelovich** notes in his essay, for example, that we are beset by negative public perceptions of youth in such critical areas as education, moral values, and governmental and popular responses to the needs of young people.

Some of the key findings of *The Forgotten Half Revisited:*

Employment and Wages: Down and Unpromising The critical transition from school to the workplace has become more painful than a decade ago. Moving to permanent employment is taking longer. Young workers who do not go on to college or career training are experiencing longer periods of unemployment and are relying more than ever on part-time, dead end jobs. Moreover, their tenure in jobs is shorter and less stable.

Even in a booming economy, full- and part-time employment rates among "The Forgotten Half" were actually lower in 1997 than in 1989. And for minority youth, full-time employment is 20 to 30 percent lower than their white counterparts. Overall, inflation-adjusted earnings for 20-24 year-old male workers fell by one-third, while young women were earning 16.5 percent less. In March 1997, more than one-fourth of out-of-school young adults who were working full-time were earning less than the poverty line income standard of just over $16,000 annually for a family of four.

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Critical Social Indicators: Persistent Negative Trends

- Home ownership for young families fell from 49 to 38 percent between 1980 and the 1990s.
- The number of incarcerated young men under age 25 doubled between 1986 and 1995. On any given day in America, one in ten 20-29-year-old males is in jail, on probation, or on parole.
- Of the four million births annually in America, one in eight is to a teenager, one in four to an unmarried mother with less than a high school education, and one in three to a mother living in poverty.
- The rate of teen deaths by homicide per 100,000 more than doubled between 1985 and 1994.

According to **Carol Emig**, in her report on "The Changing American Family," the homicide rate of 100 deaths per 100,000 15-19 year-old African American males in 1996 is "the single most horrifying statistic in the child and family field" -- eight times larger than for white males in the same age group.

Educational Attainment: Moderately Encouraging.

The data on educational attainment are uneven but slightly more positive than negative. From 1990 to 1997, the percentage of adult Americans who earned a high school diploma or GED rose from 28.3 to 31.4. And the percentage of those earning a bachelor's degree rose from 11.4 to 14.1 percent. This encouraging news was accompanied by high school dropout rates that fell from 9.5 percent in 1985 to 7.3 in 1996.

The most influential factor determining educational attainment, however, remains family income and there the news is not as good, as the gap widens along an income fault-line. Families with the lowest 25 percent of incomes have a high school graduation rate of 67 percent, compared to 94 percent among students from families in the top 25 percent of earners. The latter are also as much as ten times more likely to earn a college degree than are those in the bottom 25 percent. The report labels the proposition that "In America, everybody goes to college" a myth.

School Reform: A Mixed Bag. Assessing the impact of 15 years of school reform efforts, **Jack Jennings** and **Diane Stark Rentner** point out that "The Forgotten Half" of ten years ago may be more nearly a "Forgotten Third" today, as more high school graduates begin (but not necessarily complete) postsecondary education. Although some reforms are taking hold -- increasingly rigorous course work, higher standards and tougher graduation requirements, for example -- the academic performance of America's students still lags behind that of their peers in many other countries. "The curriculum may have to be altered to expose Americans to more difficult subjects earlier," they comment. While the initial news on reform is encouraging, the bad news is that those left behind face a bleaker economic future than did their counterparts in the 1980s. As education and skills have become increasingly vital to adult success, we are still losing a third or more of our young people to a limited economic future.

The Community Response: Promising Signs. Among the more heartening news is what is happening for young people in many communities, as reported by **Martin J. Blank** and **Carol Steinbach**. They see "a new breed of youth-focused initiatives," that are moving away from imposed, top-down solutions and toward community-generated responses to young adult problems. Communities across the country, report the authors, are focusing more intently on their roles as "keepers of values" and "human ecosystems."

Youth Service: Another Bright Spot. Evaluations of the many youth-service programs begun since publication of *The Forgotten Half* reports of 1988 reveal that young people responded positively to national and community service, and that such service has a positive effect on academic performance, building character and forming values. Author **Shirley Sagawa** notes that it is now possible "to make service a common experience of every child growing up in America."

Youth Development: A Call Heard. Ten years ago, *The Forgotten Half* was in the forefront of a call to shift the main emphasis of the nation's concern for its youth from treatment and deterrence to positive youth development. That call has "generated a surprising energy and enthusiasm," according to **Karen Pittman** and **Merita Irby.** They view the most encouraging outcome as an "increased acceptance of youth development as a broad goal requiring intentional monitoring and intervention."

The Nation's Best Investment. In a concluding essay, education statesman **Harold "Doc" Howe II**, former U. S. Commissioner of Education who headed the study group that issued the 1988 *Forgotten Half* reports, reminds that the most powerful and least expensive strategy for solving the problems facing America's young adults remains prevention, particularly through a large-scale expansion of quality Head Start and early childhood programs. Overall, says Howe, vigorous efforts to build "social capital" -- opportunities for youth to gain skills, knowledge and support services -- are required to complement the successes America has had in boosting educational attainment.

As part of such an effort, Howe believes the country needs to adopt a firm policy position on how, in a pluralistic society, we educate students whose first language is not English, and how we work to integrate them into an increasingly diverse culture. This, he believes, is the nation's greatest challenge. "Our country needs to be reminded that young people do grow up ... and their success in life is the best investment we could make."

# # #

Copies of the 200-page report *The Forgotten Half Revisited* are available at $15.00 <u>prepaid</u>, including postage and handling. An 28-page executive summary is $2.00. Order from:

American Youth Policy Forum
1836 Jefferson Place, NW
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(Federal I. D. 31-1576455}

AMERICAN YOUTH POLICY FORUM

December 28. 1998

A PROGRESS REPORT

Dear Colleague: Shirley

Our report, *The Forgotten Half Revisited*, appeared just as the House of Representatives and national attention became dominated by impeachment proceedings against the President. Now that things have quieted a bit, we are beginning to receive laudatory letters, some press notices, and bulk orders from various organizations.

To date, we have mailed about 1,600 copies of the report to a list of "influentials" compiled with your help -- policymakers, journalists, association heads, academics and corporate leaders associated with education and training issues. Yesterday, for example, we mailed copies to all the <u>state</u> Senate and Assembly chairs of the education committees.

Bulk orders or mailings of the report or its Summary have been filled from the U. S. Conference of Mayors, National Association of Partners in Education, Emerging Coalition for Community Schools, National Conference of State Legislatures, Missouri School Superintendents Association (Danforth Foundation), New Hampshire Department of Education, and the George Gund Foundation.

Additional mailings are scheduled for all chief state school officers and their deputies, all governors' education aides and workforce development specialists and business magazine journalists.

PLEASE LET US KNOW IF <u>YOU'D</u> LIKE ADDITIONAL COPIES FOR YOUR PERSONAL DISTRIBUTION.

MAY YOU AND YOURS ENJOY A WONDERFUL NEW YEAR 1999!

Sam

Samuel Halperin

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APCO ASSOCIATES INC.
Public Affairs and Strategic Communications

December 23, 1998

Ms. Shirley Sagawa
Deputy Assistant to the President and
Deputy Chief of Staff to the First Lady
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Shirley:

On behalf of the Kellogg Foundation Service-Learning Initiative I want to thank you for taking time to meet with Nancy Ames, Bob Bissen and me. Your thoughts on various pieces of the Initiative were helpful. We also appreciate your suggestions on how service-learning and the Kellogg Initiative might support the First Lady's current priorities.

It was great to reconnect with you and I look forward to working with you as the Initiative continues to develop. Best wishes for a happy and healthy 1999!

Sincerely,

Nancy Murphy

Nancy Murphy

cc: Chris Kwak

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January 20, 1999

Samuel Halperin
American Youth Policy Forum
1836 Jefferson Place, NW
Washington, DC 20036-2505

Dear Sam:

I just wanted to take this opportunity to congratulate you on what is absolutely an extraordinary volume on the Forgotten Half Revisited. I must confess that when the volume arrived on my desk, as is often the case with something that size, I planned to just glance at it and then return to it at some later date. However, as I started reading, I became "entrapped" and I couldn't put it down until I was done. It is an extraordinary piece of work and represents exemplary advocacy. I have shared it with colleagues here and will be ordering a number of copies.

Congratulations on work exceptionally well done. I have encouraged Karen Hein to invest in the broad dissemination of the report.

Warm personal regards,

Bob

Robert Wm. Blum, M.D., Ph.D.
Professor and Director
Division of General Pediatrics
& Adolescent Health

97M01LB079

Hi Shirley —

I know that The Forgotten Half Revisited might, in parts, rain on the good news parade of the State of the Union address, but can't more be done to highlight the parts of our society that are still "forgotten"? The Administration's program continues to be feeble in this regard.

With respect! Sam

Post-it® Fax Note 7671	Date 1-25	# of pages ▶ 3
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NATIONAL CHILD LABOR COMMITTEE

National Committee on Employment of Youth • National Committee on the Education of Migrant Children

FOR IMMEDIATE RELEASE **January 25, 1999**

For further information, contact:
Hartley du Pont or Elsie McCarthy, 212-840-1801
Lori Antonacci, 212-598-4542

Samuel Halperin of Washington, D.C. Named 1999 Lewis Hine Award Winner by National Child Labor Committee

Samuel Halperin, Ph.D., the unsung architect of much of the far-reaching education legislation of this era and founder of the American Youth Policy Forum (AYPF), will be honored with a 1999 Lewis Hine Award from the National Child Labor Committee (NCLC) at ceremonies to be held Thursday, January 28, at F.A.O Schwarz in New York City.

Dr. Halperin, a practical visionary who has quietly and persistently helped mobilize the public will around the needs of its youth, will join nine other Hine Award honorees from around the nation and F.A.O Schwarz Chairman and CEO John Eyler for the 12th awards program presented by NCLC. Other award recipients come from California, Florida, New Jersey, North Carolina, Ohio, Texas and West Virginia.

Not content with passing laws, Dr. Halperin's goal is to make sure those who carry them out are knowledgeable, compassionate and committed to all of America's children. In 1988, as Study Director of the W.T. Grant Commission on Work, Family and Citizenship, Dr. Halperin produced two groundbreaking studies -- *The Forgotten Half: Non-College Youth in America* and *The Forgotten Half: Pathways to Success for America's Youth and Young Families.* His latest work, *The Forgotten Half Revisited*, published in 1998 by AYPF, is a fact-filled wake-up call for helping youth in the coming century.

In 1992, he convinced seven foundations to fund the American Youth Policy Forum, a professional development organization which he now co-directs. Its mandate is to bring policy-makers and legislators together with the young people who need government services and with the volunteers and professionals who are creating innovative programs to serve America's youth.

Dr. Halperin was nominated for the Hine Award by his colleague, George R. Kaplan, a Bethesda, Maryland consultant specializing in focusing attention on improving public education, who said, "Throughout his life, Sam has been single-minded in his devotion to improving the lives of the 'forgotten half' of America's children."

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The Lewis Hine Awards, established in 1985, are named in memory of the early 20th century sociologist and photographer Lewis W. Hine, whose over 5,000 stark and disturbing images of the exploitation and abuse of children in dangerous, unhealthy and stunting jobs all over the country was a major impetus to the passage of the nation's first child labor laws. Mr. Hine documented much of the child labor problem while working for the National Child Labor Committee from 1908 to 1920.

In addition to bestowing the Lewis Hine Award on five volunteers and five professionals for their extraordinary service to America's children, the National Child Labor Committee is also bestowing several special awards. Harry Belafonte, a world-renown artist and humanitarian, will receive the NCLC's third Ronald H. Brown Award, given annually to an American who has overcome prejudice and discrimination to make a significant contribution to America's youth. Business leaders William C. Steere, Jr., Chairman and CEO of Pfizer Inc., and John Eyler, Chairman and CEO of F.A.O Schwarz, will each receive NCLC's Distinguished Service Award for their corporate and personal commitments to supporting education and healthcare initiatives for America's children. Larry J. Camerlin, President of Angel Flight NE, will be honored for Innovation in the Service of Children for creating this nonprofit, all-volunteer organization which flies critically ill children and their families free-of-charge to hospitals for vital treatment.

The National Child Labor Committee was founded in 1904 and chartered by Congress in 1907 to promote the rights, dignity and well-being of children and youth as they relate to work, working and education. Today there are over 4 million young people under 18 working -- legally and illegally -- in the United States

"The work of Samuel Halperin amply embodies the ideals of NCLC and the Lewis Hine Awards, " said NCLC President and Executive Director Jeffrey F. Newman. "His work and that of the other nine Hine Award honorees underscores the fact that children and youth still need protection, education and positive expectations rather than exploitation."