STANFORD CENTER ON POVERTY & INEQUALITY

WHY IS THERE SO MUCH POVERTY IN CALIFORNIA?

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

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The purpose of this report is to describe the current state of poverty in California, to discuss concrete steps that could be taken to reduce poverty in California, and to present the best available evidence on the likely effects of those steps. We take on an important but infrequently-posed question: If California were to seriously commit to reducing poverty, how might that commitment best be realized?

This is of course a hypothetical question, as there is no evidence that California is poised to make such a serious commitment, nor have many other states gone much beyond the usual lip service proclamations. It is nonetheless especially striking that California, the highest-poverty state in the country, has not rushed in to rectify the matter.[1]

There are many reasons for this seeming complacency, but an especially important one is that most people think that poverty is intractable and that viable solutions to it simply don't exist. When Californians know what needs to be done, they tend to go forward and get it done. When, for example, the state's roads are in disrepair, there are rarely paralyzing debates about exactly *how* to go about fixing them; and instead we proceed with the needed repairs as soon as the funds to do so are appropriated. The same type of sure and certain prescription might appear to be unavailable when it comes to fixing poverty. It is hard not to be overwhelmed by the cacaphony of voices yielding a thick stream of narrow-gauge interventions, new evaluations, and piecemeal proposals.[2]

Although the research literature on poverty is indeed large, recent advances have been so fundamental that it is now possible to develop a science-based response to poverty. If in the past we just didn't know what to do about poverty, that is simply no longer the case. The causes of poverty are well established, and the effects of many possible policy responses to poverty are likewise well established.

This is not to gainsay the difficulty of the task before us. To date, no attempt has been made to sort exhaustively through the full complement of evidence on poverty reform and interventions that might work in California, no doubt mainly because that evidence is so far flung. The relevant literature can be found variously in subfields pertaining to prenatal and postnatal interventions, child development and child care, early childhood education, community schools, place-based interventions, after-school interventions, low-income tax credits, minimum wage reform, vocational training, workforce development, and of course much more. Because the field is so differentiated, an expert may be able to master the literature in one or two of the relevant subfields, but not typically the field in its entirety.

We have accordingly proceeded by first reviewing each of these subfields separately and then culling from these reviews the results that were most important and relevant in building a poverty-reduction plan. It is only the latter results that appear in this (relatively) abbreviated report. For our purposes here, the objective is not to provide a comprehensive summary of those background reviews, but rather to engage very selectively with the evidence that is most relevant for the types of poverty found in California and the types of programs and policies that might be implemented in California. The full set of reviews that stand behind this report will be posted on the website for the Stanford Center on Poverty and Inequality (www.inequality.com).

We have no interest in issuing an academic report about policies that will never be undertaken. We have much interest, by contrast, in laying out policies and programs that could plausibly garner support and that would reduce poverty substantially insofar as that support is garnered. In assembling this report, we have accordingly taken very seriously the key values and commitments that are widely shared within the United States, values and commitments that affect the types of programs that we are likely to embrace and call our own. There is little point, for example, in attempting to incorporate programs or policies that rest on a wholly foreign set of values, even if those programs or policies are proven poverty-reducers. It is not simply that such programs would likely be opposed by many Californians and therefore never come to fruition. Even if they were somehow implemented, the resulting programs would never feel like our own, would not mesh well with our existing institutions, and would likely be mired in controversy from the start.

We have also sought to work within the constraints of California's institutions, programs, and policies. As a result, our proposal mainly entails building on California's existing safety net, in effect ramping up those programs for which the evidence is strong. We have also sought to build on and exploit various reforms under way in California (e.g., health care reform, Local Control Funding Formula). The goal, in short, is to build a comprehensive reform package that rests on programs backed by the best science, that integrates seamlessly with the existing safety net, and that builds on initiatives already in play.

This essay presents in summary form the package of reforms that emerged out of this review and that, taken together, offer an unprecedented opportunity to reduce poverty in California. The package is motivated by a commitment to equalize access to investments in skill and to ensure that those who work hard will not be in poverty.

Although the heart of our report is a presentation of the evidence behind these reforms, we first discuss the main features of poverty in California, the main ways in which California's safety net responds to poverty, and the role of science in informing poverty policy. We then turn to a lengthier discussion of (a) the key evidence on behalf of our equal opportunity approach, (b) the various ways in which this approach might be implemented, and (c) the rationale for holding off—for now—on a major program to increase take-up of existing programs. We conclude by discussing the extent to which these reforms would address the distinctive features of poverty in California.

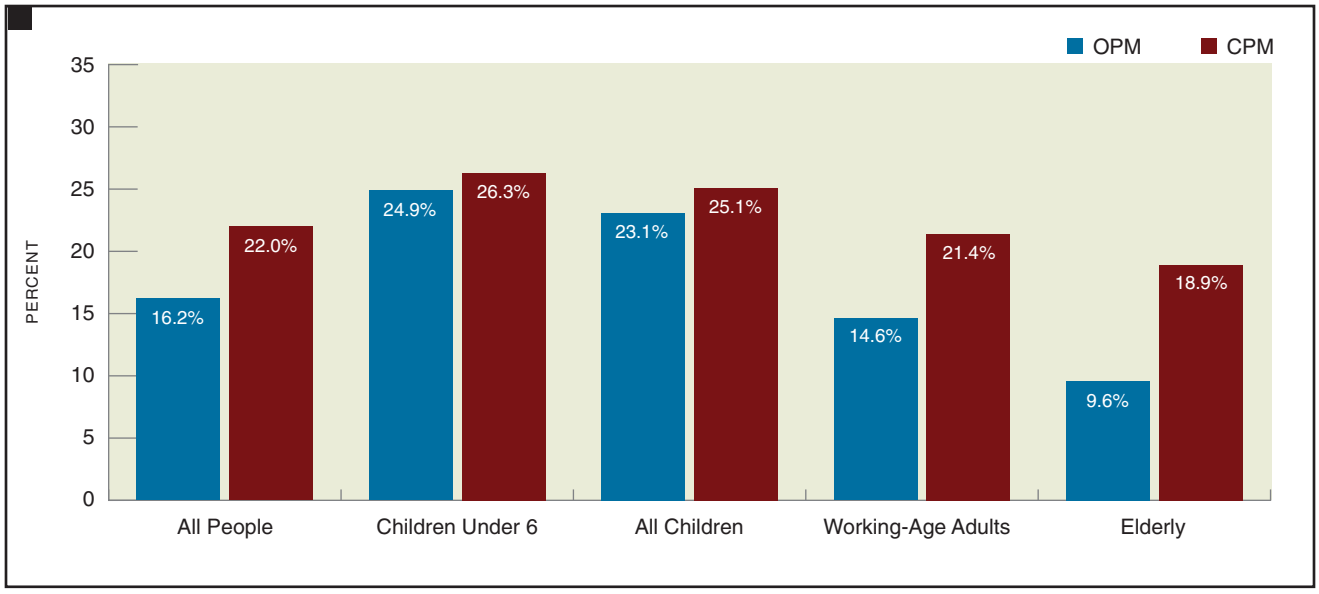
DOES CALIFORNIA HAVE A DISTINCTIVE BRAND OF POVERTY?

The groundwork for this review is usefully laid by discussing what is—and is not—distinctive about poverty in California. In delivering this descriptive overview, we rely principally on the California Poverty Measure (CPM), a measure that hews to the spirit of the Census Bureau's Supplemental Poverty Measure (SPM) but also improves on it by using administrative data and by taking into account unique features of California.[3] The CPM, like all SPMs, provides an authentic portrait of the experience of poverty because it takes local housing costs into account, adjusts for non-discretionary expenses (e.g., medical out-of-pocket costs, child care costs), and includes the poverty-reducing effects of non-cash and post-tax transfers (e.g., CalFresh, the Earned Income Tax Credit). Although we will also report on the Official Poverty Measure (OPM) for purposes of comparison and completeness, the CPM statistics arguably provide the best representation of the experience of deprivation and disadvantage in California.[4] We summarize here the key features of California poverty in the form of six conclusions.

A high-poverty state: In any discussion of poverty in California, perhaps the most important point to be made is that we have much of it, indeed there is good reason to believe that California has the highest poverty rate in the U.S.[5] As shown in Figure 1, 22.0 percent of all Californians were living in poverty in 2011, a percentage that's substantially higher than the corresponding OPM percentage for that year (i.e., 16.2).[6] The relationship between the CPM and OPM is complicated because some features of the CPM work to reduce poverty relative to the OPM (e.g., incorporating non-cash and post-tax transfers) while other features work to increase it (e.g., allowing for high housing costs). The results in Figure 1 nonetheless make it clear that in the end these countervailing forces yield a poverty rate for California that's far higher than the official one.

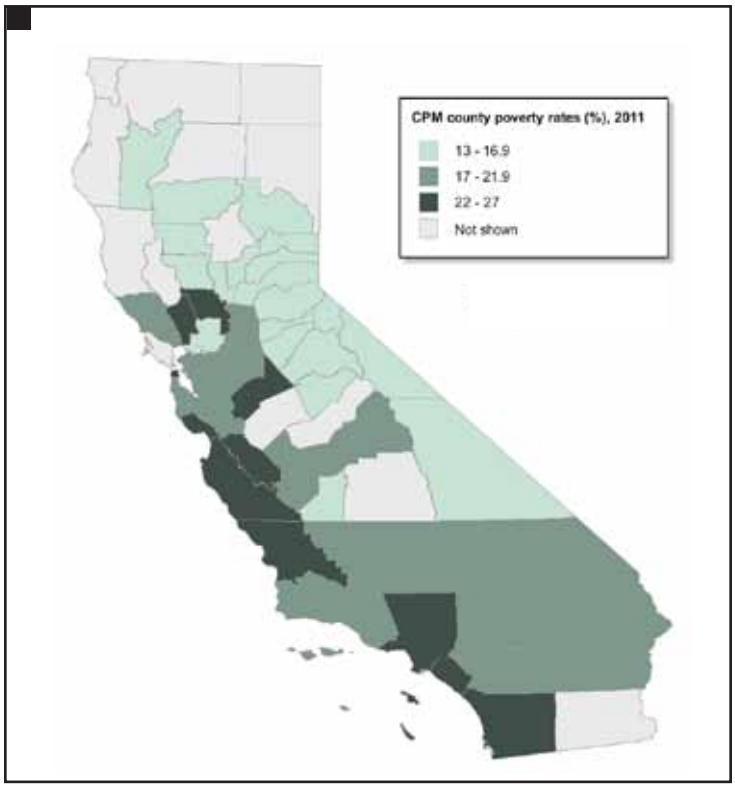
Persistence of deep poverty: It might be thought that California's high poverty rate is misleading because many families are just barely under the poverty threshold and hence just barely in poverty. This is not the case. In fact, 6.1 percent of California's population is in "deep poverty," where this refers to families with incomes that are 50 percent or less of the poverty threshold.[7] Although some of the counties with high rates of deep poverty are agricultural or rural (e.g., 6.8% in Merced

FIGURE 1: California Poverty Measure for Full Population and by Age Group



Source: Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," The Stanford Center on Poverty and Inequality (in collaboration with the Public Policy Institute of California), http://www.inequality.com/poverty/cpm.

FIGURE 2: California Poverty Measure by County



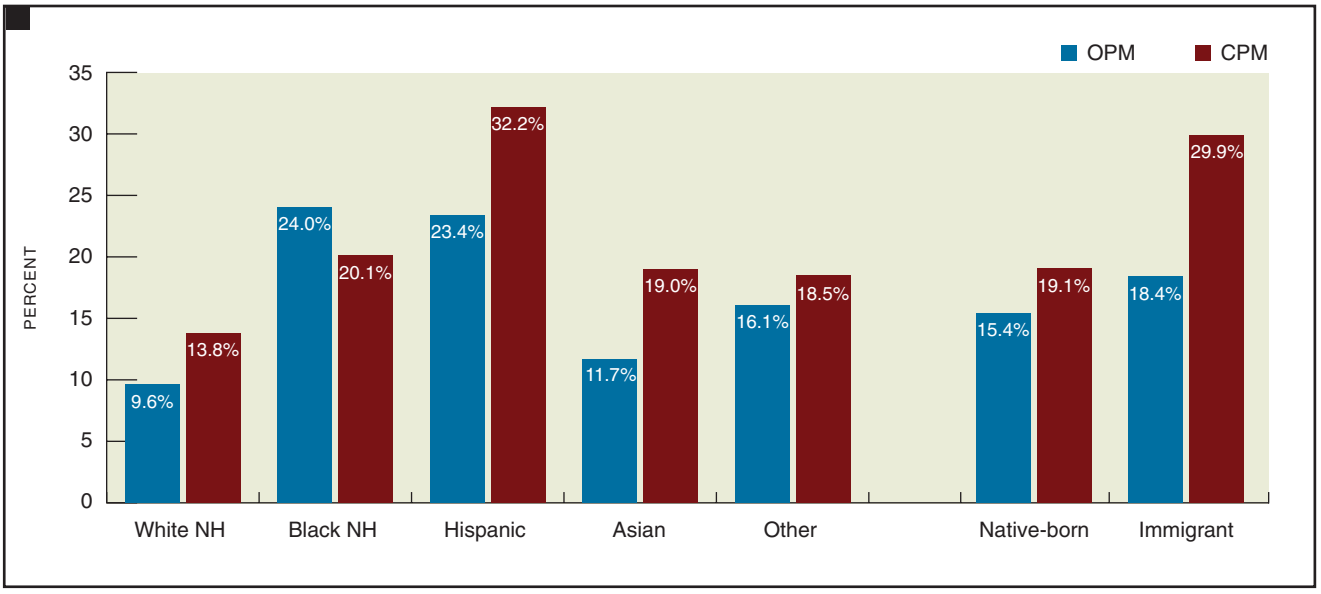
Source: Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," The Stanford Center on Poverty and Inequality (in collaboration with the Public Policy Institute of California), http://www.inequality.com/poverty/cpm.

County), others are urban or suburban (e.g., 7.6% in San Diego County).

A persisting adult poverty problem: In conventional OPM-based analyses, it is frequently reported that children have much higher poverty rates than adults, a result that reflects, in part, the distribution of cash benefits (e.g., Social Security) that the OPM takes into account. Even under the CPM, the poverty rate for children is higher than that for adults, but the gap between the two rates is smaller. The gap closes because of disparities across age groups in the likelihood of receiving non-cash and post-tax transfers (which the OPM does not pick up). The poverty rate for children, 25.1 percent, is of course especially high, but Figure 1 also shows that a full 21.4 percent of working-age adults and 18.9 percent of the elderly are in poverty in California.

Housing-induced poverty: The conventional wisdom has long had it that poverty in California is disproportionately a Central Valley affair. As Figure 2 reveals, there are indeed high poverty rates in many Central Valley counties (e.g., 23.6% in Yolo County), but more surprisingly there is also much poverty in urban California.

FIGURE 3: California Poverty Measure by Race, Ethnicity, and Immigration Status



Source: Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," The Stanford Center on Poverty and Inequality (in collaboration with the Public Policy Institute of California), http://www.inequality.com/poverty/cpm.

The poverty statistics for Los Angeles, San Francisco, and San Diego counties are 26.9, 23.4 and 22.7 percent respectively.[8] What accounts for such high rates of poverty? The key source is simple and obvious: In large urban counties, housing and other living costs are typically very high, often making it difficult for families to get by. Although urban families may have better access to better-paying jobs, Figure 2 reveals that this labor market advantage is more than offset by the housing market disadvantage.

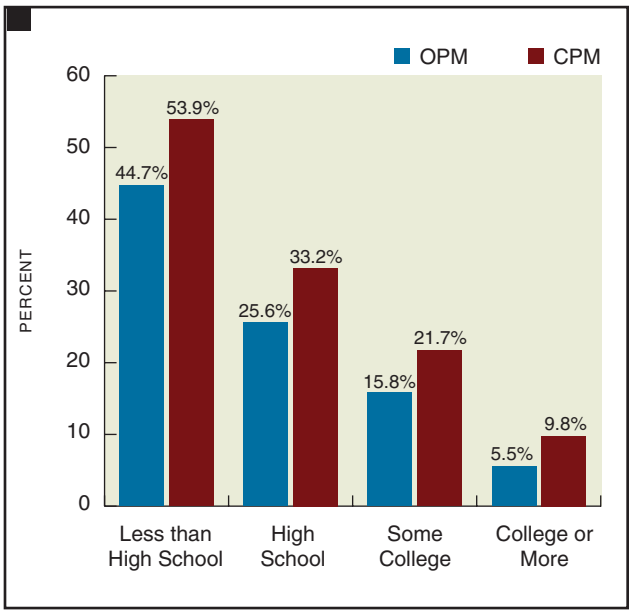
The immigrant effect: This is not to suggest that high housing costs are the only source of California's unusually high poverty rates. The relatively large immigrant population in California is also relevant because, as shown in Figure 3, poverty rates among immigrants are exceedingly high, indeed 36 percent higher than poverty rates among natives (i.e., [29.9 – 19.1]/29.9 = .36). The native-immigrant disparity is especially pronounced under the CPM because, unlike the OPM, it registers safety net benefits that are often available for natives but not for immigrants. It bears noting that the CPM poverty rates for Blacks, Hispanics, and Asians are also relatively high. At the same time, the poverty rate for non-Hispanic Blacks is lower under the CPM than the OPM, partly because the OPM does not take into account precisely those non-cash and post-tax transfers that especially benefit non-Hispanic Blacks.

Large educational disparities: The latter disparities by race, ethnicity, and immigration status are large, but they are swamped by the even more dramatic disparities between educational groups. As revealed in Figure 4, the chances of being poor are one in two for high-school dropouts (53.9%) and one in three for high-school graduates (33.2%), but less than one in ten for college graduates (9.8%). These large educational disparities are of course hardly distinctive to California. If high rates of immigration and high housing costs are special features of the California poverty landscape, the substantial educational disparities most surely are not.

The facts presented in this section do not easily translate to prescriptions about the most effective anti-poverty programs in California. It might be imagined, for example, that the sizable educational disparities of Figure 4 direct us to a policy of increasing the number of college graduates. Although such a policy may be attractive in principle, its success would depend on ensuring that the new college entrants (a) have adequate preparation to produce the requisite college graduation rates, and (b) attend the types of colleges that provide substantial economic returns to their graduates (thereby ensuring that graduates indeed experience the low poverty rates of Figure 3). Moreover, any credible evaluation of such a policy would have to take into account its effects on the pay and employment prospects of those who do *not* attend college, effects that might be generated, for example, by any corollary reductions in the size of the low-skill labor force. That is, insofar as the number of college graduates is ramped up substantially, the associated "siphoning off" of low-skill workers will reduce unemployment rates and raise wages among workers who remain in the low-skill sector and now experience less competition. It follows that a pro-college policy may indirectly reduce poverty even among those who are not direct beneficiaries of that policy.

The foregoing is merely an illustration of the (perhaps obvious) difficulties in formulating policy rather than any attempt at an authentic policy analysis. At this point, we are only pointing out that, however simple the descriptive facts of poverty may seem, it is important to resist the temptation to move too quickly from facts to policy prescription.

FIGURE 4: California Poverty Measure by Education



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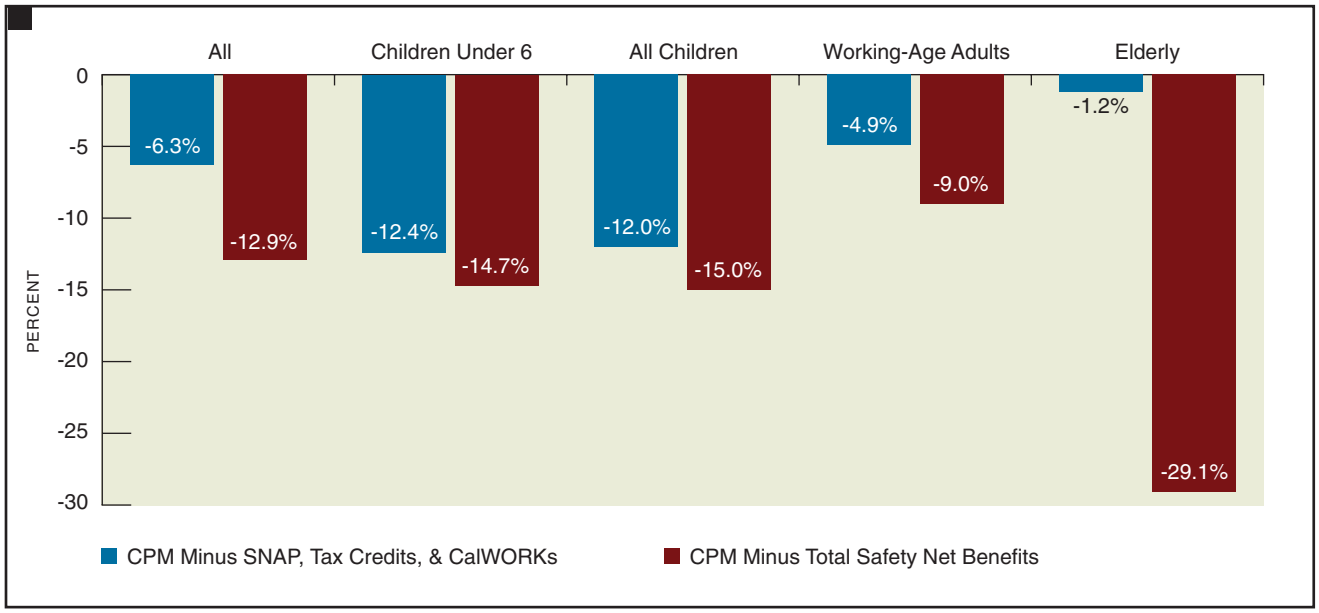
THE SAFETY NET IN CALIFORNIA

Before laying out any new proposals, it is also important to examine the effectiveness of California's current and ongoing policy, where "policy" is narrowly construed here as the effects of the safety net. It should be appreciated from the outset just how narrow this definition is. After all, the state's poverty population is also directly affected by a host of institutional practices that are quite unrelated to the safety net itself, such as the provision of prenatal care, the size of the prison system, or the number of funded college slots. Although these institutional decisions are not always understood as a form of poverty policy, they are in fact powerful determinants of the size of the poverty population and hence *should* be understood as such. If, for example, a decision were made to radically increase the number of funded college slots, the result might well be an accordingly dramatic reduction in the size of the state's poverty population (subject to the caveats laid out above). We will indeed be presenting some key legal and institutional reforms that, if undertaken, would yield substantial reductions in poverty. For the purposes of this section, we nonetheless focus on the more conventional and narrow definition of poverty policy, a definition that focuses wholly on the effects of the safety net itself.

We proceed by way of four conclusions that represent the key facts about how the state's safety net is—or is not—working. For the purpose of these analyses, we deploy the CPM exclusively, as it is tailor made for assessing the effects of all types of programs, not just cash-based ones. In the following analysis of safety net effects, it should also be borne in mind that we are only reporting on the wholly "mechanical" effects of benefits (in pushing family income above the poverty threshold), not the possible second-order behavioral effects that any change in benefits might in the longer run bring about.

Large effects of the safety net: The first conclusion about such mechanical effects is that they are quite large (see Figure 5). If *all* safety net benefits were suddenly eliminated (i.e., CalFresh, CalWORKs, tax credits, school meals, housing subsidies, SSI, Social Security),

FIGURE 5: The Poverty-Reducing Effect of the Safety Net by Age Group



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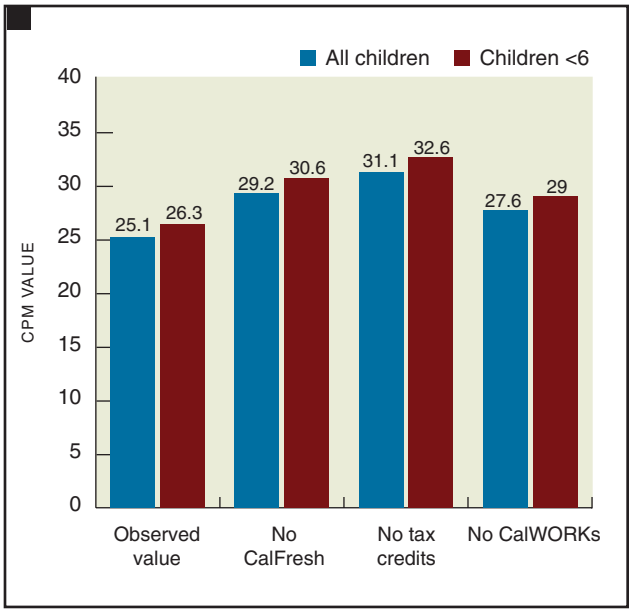
the percentage of California's population in poverty would increase by 12.9 points (i.e., from 22.0% to 34.9%). Whereas the poverty-reducing effect of the safety net is especially large for children (15.0 points) and the elderly (29.1 points), it is comparatively small for working-age adults (9.0 points). These results make it clear that, despite the many criticisms leveled against the state's safety net, it is doing real and substantial poverty-reducing work in its current form. To be sure, the state's poverty population remains the largest in the country even *after* our state's safety net is applied, but that should not obscure the equally important point that, absent the safety net, the poverty population would be far larger (and would in fact rise to well over one-third of California's population).

Two safety nets: If the first conclusion is that the safety net has big effects, the second is that those effects work through rather different programs for children and adults. In effect, California has *two* safety nets, one for children and another for adults. The children's safety net rests on the three-way punch of CalFresh, tax credits, and CalWORKs, whereas the adult safety net relies rather more on the two-way punch of Supplemental Security Income (SSI) and Social Security benefits. As Figure 5 shows, the combination of CalFresh, tax credits, and CalWORKs accounts for 80 percent of the safety net's effect on child poverty (i.e., 12.0/15.0 = .80), but only for 54 percent of its effect on working-age poverty and 4 percent of its effect on elderly poverty (i.e., 4.9/9.0 = .54; 1.2/29.1 = .04). These differential effects should of course be taken into account when evaluating possible expansions of particular programs.

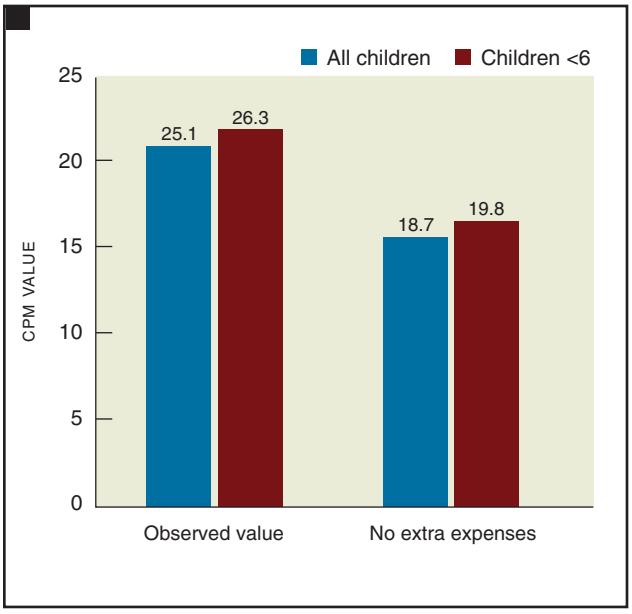
The dominance of EITC: We can cast further light on the "children's safety net" by considering each of its constituent programs separately and recalculating the poverty rate under the hypothetical that the benefits from that program are unavailable. This exercise reveals (see Figure 6) that poverty rates increase the most when tax credits are excised. If tax credits were completely eliminated, the poverty rate would increase to 31.1 for "all children" and to 32.6 for children under age 6. This result reflects the effect of (a) the overall size of the program (the number of beneficiaries and the average size of their benefits), (b) the extent to which the program targets the poor (as opposed to families whose incomes exceed the poverty threshold), and (c) the extent to which benefits to the poor are delivered to families that are close enough to the poverty threshold that the benefits will push them over it. The "tax credit" effect is so large in part because the Earned Income

FIGURE 6: The Poverty-Reducing Effect of the Safety Net Among Children



NOTE: The "No CalWORKs" bars also include the effects of excising general assistance. Source: Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," The Stanford Center on Poverty and Inequality (in collaboration with the Public Policy Institute of California), http://www.inequality.com/poverty/cpm.

FIGURE 7: The Key Role of "Extra Expenses" in Generating Poverty Among Children



Source: Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," The Stanford Center on Poverty and Inequality (in collaboration with the Public Policy Institute of California), http://www.inequality.com/poverty/cpm.

Tax Credit (EITC) is such a large program. At the same time, the EITC often goes to families that are not in CPM poverty, with the offsetting result that the EITC's poverty-reducing effects are not as large as one might imagine given the size of the EITC budget. This latter feature of the EITC is obviously crucial in assessing a state supplement to the EITC. Although there are important work-incentivizing benefits to delivering ongoing assistance to families already out of poverty, there is an obvious tradeoff between ensuring adequate incentives and ensuring adequate benefits to families that are beneath the poverty line.

The importance of extra expenses: The next figure reveals the role of "extra expenses" in driving up the poverty rate (see Figure 7). By "extra expenses," we mean both (1) out-of-pocket medical expenses, and (2) expenses incurred principally as a cost of going to work (i.e., child care, transportation costs for work). Could we reduce poverty substantially by adopting programs that reduced or eliminated these "extra expenses?" The simple answer: Yes. In fact, if we could find a way to fully eliminate such expenses, 25.5 percent of all children in poverty would be lifted out (i.e., [25.1 – 18.7]/25.1 = .255) and 24.7 percent of children under age 6 would be lifted out (i.e., [26.3-19.8]/26.3 = .247). These results imply that roughly a quarter of California's child poverty is generated by medical, child care, and other work expenses. It is of course too early to tell whether the Affordable Care Act will have an appreciable effect on the poverty-inducing effects of such extra expenses.

We again do not mean to imply that the preceding results lead to any direct policy prescriptions. Rather, we provide them here only as "facts on the ground," facts that serve mainly to illuminate how our safety net is working and the problems that remain and that new anti-poverty initiatives might address.

EVIDENCE AND VALUES IN POVERTY POLICY

We turn now to a discussion of the types of anti-poverty policies that California might consider and the likely effectiveness of those policies. In reviewing the available evidence, we do not mean to suggest that any policy decision can be "evidence-based," indeed even the more relaxed and fashionable standard of "evidence-informed" policy proves to be a high bar. There is much research showing, for example, that policy tends to be formed on the basis of a host of non-scientific factors, including judgments about the political feasibility of particular programs, the interests of particular advocates or lobbyists, an especially compelling image or narrative about the sources of poverty or the effectiveness of particular programs, or a tendency to favor the most fashionable "flavor-of-the-day" program or intervention.[9]

It is not simply that these political forces and psychological biases inevitably intrude into the policymaking process. Even if these biases could be cleared away and a straightforwardly science-based decision became possible, the unfortunate fact of the matter is that the science has not yet developed to the point that it can always provide an entirely clear and definitive judgment on the optimizing policy. The available science falls short of that (very high) standard in at least two important ways.

Difficulty of making comparative assessments: The first and most obvious point is that the available science, for all its successes, does not always or even usually provide clear guidance on the matter of which policy is optimizing as against the full range of choices. The available research typically speaks to the more narrow question of whether any given program or policy has a demonstrable effect. In principle, the availability of such research allows us to eliminate from consideration any policy for which effects cannot be demonstrated, but it cannot assist in the more demanding task of choosing an optimizing policy from among the host of possibilities that have not been so eliminated. It is a mixed blessing in this regard that, although there are many negative assessments of program effectiveness, we are left with even more programs and policies for which the requisite research has not yet been carried out, is inconclusive, or suggests positive effects. The resulting embarrassment of riches, however attractive in the abstract, leads to difficulties in making bona fide science-based decisions. Although there have been some efforts to carry out comparative cost-benefit assessments of multiple policies, these are still quite limited in the range of programs covered and the exhaustiveness with which costs and benefits are identified.[10]

Design problems: Even when one drops back to the more limited objective of evaluating a single program or policy, the available evidence is often based on research designs that fall short of the ideal and yield accordingly inconclusive evidence. The gold standard is conventionally understood to be a randomized controlled trial (RCT) that allows us to formally assess the likelihood that any observed differences in outcomes are attributable to preexisting differences between the subjects. In the absence of RCTs, there are still many high-quality research designs that can yield convincing assessments of causal effects (e.g., regression discontinuity), indeed the development and application of such alternatives has been one of the more important recent achievements of the field. We will be reviewing many studies deploying either RCTs or one of these alternative approaches. If our capacity for causal inference is accordingly better than ever, it is obviously not good enough to reach definitive conclusions on all the programs and policies of interest. There are unfortunately many areas in which none of the available research designs is strong enough to reach unambiguous assessments.

This is all to suggest that, because the available evidence is far from definitive, our task cannot reduce to that of simply determining which interventions work best and then bundling those interventions into a larger anti-poverty program. Even if the available evidence were definitive, a haphazard assemblage of "what works" would likely make for a poor safety net, as such an assemblage wouldn't amalgamate into anything coherent or take into account our larger commitments about how our institutions are best organized. If a program does not resonate with these commitments, our support for it will be partial and mired in controversy from the start.

It is far better, then, to focus on programs that not only "work" in a narrow sense but that are also consistent with the country's most fundamental beliefs about how our safety net institutions should be structured. This line of reasoning suggests a set of reforms that express our shared commitment to the principles of equal opportunity and the value of work. Although the U.S. is a heterogeneous country with many competing views, there is much evidence that these two commitments are quite widely accepted.[11] We review each in turn below.

Equal opportunity: In the U.S., we are committed to ensuring that all children, no matter how poor, have an opportunity to develop their talents and capacities. This commitment is difficult to realize given that opportunity is often "on the market" and available for purchase: That is, well-off parents can afford high-quality healthcare, child care, and schooling in ways that then advantage their children, whereas poor parents cannot afford to "purchase opportunity" for their children to the same extent. However difficult to achieve, an earnest commitment to the principle of equal opportunity has nonetheless long figured in American discourse, indeed this commitment is even laid out in drafts of the country's founding documents.[12] If our safety net is built around the principle of equalizing access to opportunities, it becomes an institution that is consonant with fundamental American values. It becomes *our* institution expressing *our* values. The equal opportunity approach, which we lay out below, accordingly focuses on a package of interventions that allow children from poor families to have fair and equal access to opportunities to develop their capacities, skills, and credentials.

Making work pay: If the commitment to equal opportunity is deeply cherished in the U.S., so too is the principle that everyone should work (insofar as they are able to do so) and that hard work should pay off. In 1996, the U.S. welfare system was revamped to encourage employment and reduce welfare dependency, a reform that was followed by a substantial decline in the size of the nonworking poor population.[13] If a new round of safety net reform is consonant with this commitment to work and making work pay, it will again express our deepest values and garner widespread support. We will discuss below a variety of reforms, including tax credits, that are consistent with this commitment.

The programs discussed below are not, then, simply an assemblage of what works.[14] In building a better safety net, it is equally critical to bring it into close alignment with our most cherished commitments, thereby ensuring that it becomes an institution to which most can wholeheartedly commit. There are of course many interventions on offer that satisfy this constraint. The purpose of the following review is to transparently report on the evidence for these interventions, noting when it lends itself to strong conclusions, when it falls short of that standard, and when opinions differ on the matter of how strong the evidence is.[15]

THE EQUAL OPPORTUNITY PLAN

We begin, then, by laying out a plan that will increase opportunities for poor children to develop their skills and talents. This approach is founded on the growing consensus that cost-effective policy (1) identifies the key junctures in the lifecourse that determine the development of skills and capacities, and (2) intervenes at those junctures in ways that offset the disadvantages facing low-income children and adults.

It is of course difficult to equalize opportunities fully and completely because children born into middle-class families will inevitably have access to better healthcare, better child care, better schools, and all manner of other advantages that will ultimately assist them in the labor market. The cumulative effect of such advantages can nonetheless be reduced with compensatory programs targeted to key junctures when capacities are being formed or decisions are being made. Although this approach naturally leads one to early interventions, there are also critical junctures in the later lifecourse that are cost-effective to target, as discussed at the end of this section of the report.[16]

The following discussion will be organized temporally by laying out cost-effective interventions at each successive stage of the lifecourse. We start with home-visiting programs that begin prenatally; we then turn to early education for preschool and older children; we follow with a targeted set of interventions for school-age children and young adults; we next consider job training reforms principally oriented toward adults; and we conclude by discussing a set of legal and tax reforms that reduce discrimination and (partly) compensate for barriers to opportunity confronted early in life.

The Very Early Lifecourse

The purpose of home-visiting programs is to improve child and adult health practices, improve parenting practices, and provide referrals to available social services. These programs are built around home visits by nurses or trained staff who provide at-risk mothers with guidance on (a) diet and other prenatal practices, (b) the child's health and development, and (c) parenting. The main rationale for such programs is that they identify at-risk children early on, intervene before problems cascade into much larger ones, and thereby lead to improved health, parenting, and cognitive development in ways that have substantial long-term benefits. Although most home-visiting programs focus on improving health, they also provide an opportunity to complete more general case work, such as referral to available social services.

These programs are based on the growing evidence that prenatal and early childhood experiences affect neural functions and structures that in turn shape future cognitive, social, emotional, and health outcomes.[17] Even at 18 months old, children from poorer households are much slower at identifying pictures of simple words, such as "dog" or "ball."[18] By kindergarten, there is a substantial gap between poor and middle-class children in reading skills, such as recognizing letters and beginning word sounds. There are likewise substantial differences in math skills (e.g., counting, recognizing basic shapes) and in behavioral regulation.[19] Because the effects of poverty register so early in children, and because these effects then have long-lasting consequences, there is a compelling argument to intervene early in ways that will reduce these consequences. The home-visiting approach rests on precisely this argument.

THE CALIFORNIA BACKDROP

The home-visiting landscape in California is complicated by virtue of a large number of overlapping providers, funding sources, and target populations. We first review the two main home-visiting programs and then turn to four subsidiary programs that are targeted to more specific problems or populations.

The California Home Visiting Program: The California Home Visiting Program provides comprehensive and coordinated in-home services for pregnant women or mothers of children (up to age 5) residing in at-risk communities. There are currently 22 federally funded sites using services based on one of two nationally recognized home visiting models, either Healthy Families America (HFA) or the Nurse-Family Partnership (NFP). Under the Healthy Families America model, home

visiting is carried out with trained workers who use a standardized assessment tool to identify needs and then educate new or expectant parents on child health, positive parenting, and available services. The second prong of the California Home Visiting Program is based on the Nurse-Family Partnership model. Whereas the Healthy Families America model relies on trained workers, the Nurse-Family Partnership model instead relies on nurses who provide information and support to first-time mothers throughout their pregnancy and until their babies reach two years of age.[20]

First 5 California: The second main home-visiting initiative is supported by First 5 California, which provides funds to county commissions to deliver local programs in child development, child health, and family functioning. In total, First 5 supports 58 county commissions, of which 22 invest in home-visiting programs for newborns and parents after hospital discharge. These programs send trained professionals into homes to support first-time, teen, low-income, and rural parents. The First 5 program also provides parenting and early education services.[21]

Disability programs: The balance of California's home-visiting initiatives are more narrowly targeted to particular types of problems or to particular populations. The Early Start Program, for example, involves home visiting for families with infants or toddlers who have disabilities or developmental delays. The Department of Developmental Services (DDS) also operates Regional Centers that offer home visiting for older children (3-21 years old) with developmental disabilities.

Mental health programs: The Pathways to Well Being initiative, which was created under the Katie A. Settlement, provides mental health services for children in foster care or at risk of entering foster care. The services provided under this initiative often entail home visiting.[22]

Child abuse and neglect programs: The case management services delivered by the Child Welfare Services entail frequent home visits to safeguard children who may be at risk of abuse or neglect. These services are provided to all at-risk children (including those in foster care).

American Indian Infant Health Program: This program, which serves five counties, involves home visitations for at-risk American Indian families with children under 5 years old. The program uses either public health nurses or paraprofessionals to provide information about health care and available services.

As this list reveals, California's home-visiting landscape is quite complicated, with various providers, many funding streams, different protocols for delivering assistance, different subpopulations that are served, and a wide mix of targeted problems (e.g., mental health, child abuse). It also bears noting that CalWORKs, which is California's main welfare-to-work program, provides home-visiting services as well, although these visits are typically not directed as explicitly to health and mental health issues as the foregoing programs are.

THE PROPOSAL

The home-visiting landscape in California is complicated by virtue of a large number of overlapping providers, funding sources, and target populations. The current tapestry of programs is a patchwork affair that misses some at-risk families and is often focused on narrowly delineated health problems rather than the larger family situation. The home-visiting program might accordingly be reformed by improving both the breadth and depth of services. These two objectives—expanding the number of families served and expanding the breadth of services offered—may be best secured by establishing a centrally coordinated delivery system (possibly similar to the Regional Centers operated by the DDS). Although an exact estimate of unmet need is unavailable, the best data suggest that approximately 465,000 California families with children up to age 5 are in CPM poverty, have young children, and are not currently being served by the California Home Visiting Program or the Early Start Program.[23]

THE EVIDENCE

The case for home-visiting programs is backed by a large body of randomized controlled trials and other high-quality research that demonstrates their effectiveness.[24] The U.S. Department of Health and Human Services has designated a number of home-visiting models as evidence-based, but we focus here on the research evaluating the Nurse-Family Partnership (NFP) and Healthy Families America (HFA), as both are featured in the California Home Visiting Program. Because HFA has been implemented differently in different sites, the findings from HFA evaluations are harder to evaluate. There is, however, much available research on HFA, including 34 studies in 25 states, of which 8 are ran-

domized controlled trials.[25] Although a wide range of outcomes have been evaluated for both NFP and HFA, we concentrate here on such key outcomes as health, education, and economic self-sufficiency.

Health effects: The health benefits of NFP and HFA are clear and overwhelming. Although the specifics of the results differ across NFP and HFA, the general pattern is one of reduced child abuse, increased home safety, reduced emergency medical care, and improved developmental outcomes.[26] Likewise, there are clear health benefits for participating mothers, including improved prenatal health (e.g., reduced hypertensive disorders, reduced cigarette smoking).[27]

Education effects: The research evidence on cognitive development and school readiness is also favorable. The children participating in home-visiting programs have been shown to be more attentive, to regulate their behavior better, and to develop better language skills. In a well-known randomized controlled trial, six-year-olds enrolled in an NFP "demonstrated higher intellectual functioning and receptive vocabulary scores… and had fewer behavioral problems," as compared to children treated with minimal support services.[28]

Parental self-sufficiency: The foregoing health and educational benefits should parlay into improved outcomes for children over the very long run (as they enter college and ultimately the labor force). But we also care about the economic situation of the parents receiving home visits. Do HFA and NFP lead to a reduced use of social programs and improved employment outcomes? The answer to this question is resoundingly positive in the case of NFP. According to a recent meta-analysis, only two studies showed ambiguous or unfavorable outcomes on self-sufficiency, whereas 20 studies showed significant improvements. The results for HFA are rather more ambiguous. In the same meta-analysis, only three of the reviewed studies showed a positive impact on family self-sufficiency, whereas two showed an unfavorable or ambiguous effect and 37 showed no effect at all.[29]

The simple conclusion is that extending services to all at-risk families in California will, at minimum, yield substantial health dividends.[30] We don't have as clear evidence on the payoff to expanding the model to provide case management, program coordination, and program referrals.[31] It bears noting that the most successful home visiting programs have typically been those that maintain a high degree of fidelity to the model.[32] Moreover, insofar as any revisions to the model *are* made, they are most likely to be successful when they take the form of simple and self-contained additions.[33] The implication is that, were a broader array of case management services indeed built into the model, the extension should probably take a straightforward form (e.g., a checklist of services) and should be rigorously tested to ensure that it's delivering benefits.

The skeptic might worry that home-visiting programs address symptoms rather than causes and therefore do not cut to the heart of California's poverty problem. In evaluating this claim, it is useful to distinguish between (a) the poverty arising from problems with labor supply (e.g., underinvestment in human capital), and (b) the poverty arising from problems on the demand side (e.g., shortage of jobs, excess of low-wage jobs). The home-visiting program of course addresses the supply side of the problem. As we've just discussed, there may be some immediate effects of home-visiting programs on parental human capital and self-sufficiency, but home-visiting programs mainly operate in the long run by affecting the future self-sufficiency of children growing up in families that have experienced those programs. That is, insofar as poverty in its unchecked form leads to various health, cognitive, and other developmental problems, a home-visiting program has protective effects that can ultimately improve the capacity of at-risk children to make human capital investments (e.g., investments in a college education). If there are enough high-quality training slots to accommodate this new capacity for investment (e.g., enough college scholarships), then home visiting programs will reduce the number of low-skill workers and increase the number of high-skill workers. The poverty rate will accordingly be reduced, not just because the children from home-visiting programs are more likely to develop the skills that bring about higher wages, but also because there will be fewer low-skill workers and hence less in the way of wage-reducing competition among them. It follows that, under the foregoing quite plausible assumptions, a home-visiting program can be understood as a systemic response to California's poverty. It obviously will not eliminate poverty, but it can reduce it in a sustained and fundamental way.

There are, as we have noted, a few key assumptions behind this line of reasoning. We have assumed, for example, that the ramped-up home visiting program will be paired with a ramped-up commitment to providing the education (e.g., vocational training, college) that the new demand for human capital investment will make necessary. It would of course be wasteful to increase our children's capacity for human capital investments without also increasing California's capacity to meet the resulting new demand for training opportunities. Put differently, a successful home visiting program will create a new bulge at the bottom of the training pipeline, a bulge that some fifteen years later will need to be met by increasing opportunities at the top of that pipeline (e.g., high-quality college slots, high-quality vocational training slots).

The more proximate need, of course, will be to develop the new capacities that will appear in the middle of this pipeline. If an expanded home visiting program yields the expected health and cognitive gains for very young children, the logical follow-up is to cultivate those gains by ramping up opportunities to participate in early childhood education. We therefore turn next to a discussion of early childhood education programs and how they might indeed be "ramped up."

Early Childhood Education

The home visiting program arguably takes the early-intervention approach to its logical limit by intervening prenatally. Although early childhood education (ECE) programs of course start after birth, they are still understood as a classic example of an early intervention approach. The empirical rationale for these programs is much the same as that for home visiting: The available evidence suggests that key cognitive and behavioral inequalities are typically established *before* children begin formal schooling and sometimes do not increase all that much thereafter. The income gap in achievement tests, for example, is already very large when children enter kindergarten and remains much the same size as children progress through elementary school.[34] The purpose of ECE is to take up where home visiting programs left off by providing the early experiences, stimulation, and training that can prevent such a large gap from emerging before children enter kindergarten.

THE CALIFORNIA BACKDROP

In California, the commitment to early childhood education is already substantial, with a number of programs in play. The most important programs are the following:

General Child Care: Operated by public or private agencies, General Child Care occurs in centers and family child care home networks, with the funding coming from both state and federal sources. Although some older children with exceptional needs are provided General Child Care, it is mainly offered to children from birth through 12 years of age.

California State Preschool Program: The California State Preschool Program, which is the largest state-funded preschool program in the country, serves 3- to 4-year-olds with both part-day and full-day services. It is administered through local education agencies, colleges, nonprofits, and community action agencies.

Alternative Payment Program: Using both state and federal funding, the Alternative Payment Program (APP) helps families select and arrange child care services, with the payment then made directly to the provider. The APP was established to increase parental choice and accommodate the individual needs of the family.

CalWORKs Child Care: Under the CalWORKs program, three stages of child care programming is provided, each drawing on state and federal funding. The first stage, which begins when a participant enters the CalWORKs grant program, may be delivered via the APP program or via direct payments to providers. The second stage begins when the family situation is stabilized, and the third stage begins two years after families stop receiving cash aid. The second and third stages are both delivered through the APP.

Head Start and Early Head Start: The Head Start programs, which are of course federally funded, serve children from birth to 5 years of age with both part-day and full-day programs. Although they rely on federal funding, California's Head Start programs are administered through agencies that typically also have contracts to administer either General Child Care or the California State Preschool Program (and often these programs are accordingly located at the same site).

As with home visiting programs, this is a relatively complicated patchwork of programs, which perhaps argues for simplifying access for families by establishing a more integrated system (see *Restructuring California's Child Care and Development System* for a comprehensive proposal in this regard).[35] There is, however, already some coordinative work. In each of California's 58 counties, local child care and development planning councils support the coordination of child care services, with their mandate being to conduct assessments of county child care needs and to prepare plans to address identified needs.

The more important problem with the current system is that it is underfunded. Because of this underfunding, it has proven difficult to meet demand and to provide sufficiently high quality care. We elaborate these points below.

Meeting demand: There are two main roads into a state or federally subsidized ECE program in California. The first road, the one via CalWORKs, brings a guarantee of child care subsidies.[36] The second road, the one for non-CalWORKs families, does not entail a guarantee, indeed there are long waiting lists for non-CalWORKs families. Although these families meet income eligibility requirements (i.e., less than 70 percent of the state's median income in 2007–08),[37] funding is inadequate to satisfy the demand. The upshot is that many low-income families are not receiving ECE.[38] According to the latest data, only 37 percent of 3- and 4-year-olds below 200 percent of the official poverty line are enrolled in preschool (public or private), whereas 56 percent of their higher-income counterparts are so enrolled.[39] If ECE subsidies were extended, this enrollment gap would clearly be reduced, although some of the gap arises from factors other than financial need.

Improving quality: There is also ample room to improve the quality of the state's ECE system. As discussed below, the quality issue is all important, given the evidence that high-quality ECE may be especially effective in reducing poverty. The last systematic assessment of the quality of California's ECE was completed in 2007 and showed that poorer children were disproportionately found in preschools with larger class sizes, a less emotionally supportive environment, and lower student engagement.[40] Following this report, the California Department of Education developed the Preschool Learning Foundations (PLF), a guide for early learning and cognitive development that is aligned with the state's kindergarten curriculum. Although the PLF curriculum is not required, it is intended to guide curricular choices in state-sponsored preschools and improve quality in all ECE programs. Unfortunately, the most recent evidence suggests that ECE quality in California is still lagging, indeed the National Institute for Early Education Research (NIEER) ranks California's preschool quality in the bottom tier of U.S. states.[41]

THE PROPOSAL

The preceding review makes it clear that (a) there aren't enough ECE slots in California for low-income children, and (b) the available slots are not all of adequate quality. If one were to craft an ECE reform, it should accordingly address either or both of these deficiencies:

Increase the number of ECE slots: The number of ECE slots should be increased to ensure that all demand from low-income families is met.[42]

Improve the quality of ECE slots: The quality of existing or new ECE slots should be increased to meet structural and processual targets (e.g., class size, quality of student engagement).

We review below the evidence on the likely payoff to either of these reforms. Although there is much high-quality research on both types of interventions, the task of summarizing this research is complicated because, as extensive as such research is, it nonetheless does not resolve all questions of interest.

THE EVIDENCE

In discussing the evidence, the standard and natural starting place is the now-famous evidence on two intensive and small-scale programs, the Perry Preschool and Abecedarian programs.[43] The Perry Preschool study was based on an experiment with random assignment of low-income African-American children to either the experimental condition (i.e., attending the Perry Preschool) or a control group that entered kindergarten at age 5. In the experimental condition, children attended the preschool from ages 3 to 5, with classes meeting 2.5 hours per day for 5 days per week. The program included weekly home visits with the children and their parents (and in this regard may be understood as an amalgam of home visiting and conventional preschool

programs). The key result: The members of the treatment group increased their cognitive and noncognitive skills as well as earnings, were less likely to be arrested, and were less dependent on social programs. The Abecedarian program, which was similar in intensity, yielded roughly comparable results.

Are such positive results only found in small-scale programs? Absolutely not. The best-known study of a public preschool program, the Chicago Child-Parent Centers, showed effects similar in size to those of the Perry and Abecedarian programs.[44] There have likewise been very promising results in the Boston Public School Pre-K Program.[45] The average ECE effect across all programs is sizable: In a recent meta-analysis of 123 quasi-experimental and experimental studies of ECE programs, the long-term effects on cognitive outcomes (e.g., test scores), school progress (e.g., high-school graduation), and socio-emotional development were all found to be quite large.[46]

The main interpretive complexity is that randomized trial assessments of Head Start (HS) and Early Head Start (EHS) have yielded less favorable results.[47] Although HS and EHS initially have positive effects on various cognitive measures, these effects tend to disappear by the end of kindergarten (i.e., effect "washout"). The rate of fadeout for present-day cohorts appears to be faster than has been observed for children who were in Head Start in the 1960s through 1980s.[48] For this earlier cohort, the effect on test scores persists, indeed long-term impacts on adult outcomes are approximately 80 percent as large as those for small-scale programs, like Perry Preschool and Abecedarian. There is much debate about why HS effects appear to be washing out more quickly now.[49] The "catch-up hypothesis," which is very plausible, has it that elementary schools are becoming increasingly successful at remediating deficits among children who enter kindergarten without the benefit of preschool. That is, rather than recent HS participants experiencing "fade-out," we may be seeing recent non-participants "catching up" through increasingly intensive remediation in elementary schools. The catch-up hypothesis implies that this more aggressive remediation has only become possible because HS has reduced the number of under-performing students delivered to the schools.

The evidence is likewise unclear on the matter of whether California should increase the number of ECE slots, increase the quality of existing ECE slots, or opt for both at once. The main concern in this regard is that we do not yet have a fully developed science on what makes for "high-quality" ECE. If we commit to ramping up quality, it is essential that we exploit what is already known, build in high-quality experimentation across counties, and move swiftly to best practices as the science continues to develop.[50]

Late Childhood Interventions

We have to this point reviewed two rather early interventions (i.e., home visiting, early childhood education). Although the evidence behind these interventions is strong, there is also compelling evidence on behalf of many later educational interventions, evidence to which we will now turn. The lifecourse is studded with a series of critical junctures, some of which occur very early in life (e.g., early brain development), but others of which occur later on (e.g., college entry).[51] If we do not address these later critical junctures as well as the early ones, we will not fully exploit the increased capacity for human capital investments secured by ramping up early childhood experiences. The task before us, therefore, is to identify the late childhood junctures that are blocking children from investing in human capital.

This line of reasoning leads us directly to those junctures at which children decide to undertake high-quality vocational training and to prepare for, apply to, attend, and complete college. As Figure 4 showed, the chances of being poor are one in two for high-school dropouts (53.9%) and one in three for high-school graduates (33.2%), but less than one in ten for college graduates (9.8%). If the number of college graduates and well-trained workers were increased, the State would accordingly secure real and tangible benefits in the form of reduced program spending and increased income taxes.[52] It is especially important to increase college investments given that the shortage of college-educated workers will, according to the best available projections, likely worsen in California over the next decade.[53] The best possible source from which to draw these new college-educated workers is in fact *low-income* families: That is, students from disadvantaged backgrounds are not just the least likely to attend college, but they are also the most likely to secure economic benefits from college.[54]

It is therefore especially important to identify those blockages late in the lifecourse that prevent students from attending college or undertaking high-quality vocational training.[55] As we have repeatedly noted, the two-pronged virtue of increasing human capital investments is that (a) those who make them are less at risk for poverty, and (b) those who do not make them are competing against a depleted pool of low-skill laborers and hence will face less in the way of wage-reducing and employment-reducing competition for the available low-skill jobs.

THE CALIFORNIA BACKDROP

There are many programs and institutions designed to assist the State's low-income children as they negotiate primary and secondary school. We review below the key features of this programmatic and institutional landscape.

Title 1: The most prominent federal effort to help low-income students is Title 1 of the Elementary and Secondary Education Act of 1965. This program is intended to equalize educational opportunities and is used for such purposes as dropout prevention, funding assistance for the Advanced Placement exam, and supplementary reading and literacy programs.

LCFF: The shift to the Local Control Funding Formula (LCFF) within California provides supplemental funds to districts with high proportions of high-need students (i.e., low-income students, foster youth, English learners). At the same time, LCFF allows school districts to more flexibly allocate funds across programs, while also requiring them to document educational outcomes of students.

Community Schools: In some California communities, the school serves as a hub for connecting low-income students and their family to services and programs, such as CalFresh. This "community school" model sometimes takes a modest form (with relatively few linked organizations and services) and sometimes a more aggressive form. The Promise Neighborhood initiative, which is reviewed below, may be understood as an especially well-developed and elaborated rendition of the community school.[56]

Summer and after-school programs: Because low-income children experience large learning losses during the summer, many schools and community organizations have instituted high-quality summer enrichment programs (e.g., "Summer Matters"), with funding from federal, state, and private sources. These summer programs are supplemented with a wide range of after-school programs funded by the After School Education and Safety Program (a voter-approved initiative passed in 2002) as well as other federal and non-profit sources.

College preparation and access programs: There are a variety of programs designed to increase college application and enrollment by providing low-income students with extra advising, tutoring, peer mentoring, test preparation, academic enrichment, information about admission requirements, and financial aid workshops (e.g., Cal-SOAP, Cash-for-College, Early Academic Outreach Programs, Early Commitment to College).

The preceding list pertains only to programming within primary and secondary schools (and is but a partial list of even that class of programming). It therefore omits (a) the loan, grant, and work-study programs designed to increase low-income access to colleges and (b) the many programs designed to raise completion rates among low-income students already attending college.[57]

THE PROPOSAL

There is a sizable scientific literature on the effectiveness of Title 1 programs,[58] community schools,[59] summer and after-school programs,[60] and college preparation and access programs.[61] The evidence on these programs indicates that many are effective and serve the low-income population well. As the Local Control Funding Formula is implemented in California, children from disadvantaged families may have increased access to many of these programs, thus equalizing opportunities within the later lifecourse.

This is not to suggest that California should rely exclusively on the changes that the LCFF may bring about. The State would do well to additionally exploit a newer class of informational and social-psychological interventions that, by building on these programs, offer unprecedented opportunities for substantial returns at very low cost. The simple insight behind these interventions is that many key investments (e.g., going to college) require students to overcome entrenched impediments to good decision-making and follow through.[62] These

impediments can be overcome with informational and social-psychological interventions that have been rigorously tested and can now be incorporated into California's existing programming at low cost:

A social-psychological intervention: A series of brief training exercises can reverse debilitating beliefs about capacities and lead to sizable and long-lasting gains in academic achievement.

Informational support: By providing better information and waiving application fees, low-income students with a record of superior achievement will apply to and attend colleges that are well matched to their capacities and talents.

A text-messaging intervention: A low-cost program of personalized (but automated) text messages can increase college attendance among low-income students.

These seemingly small interventions, all rigorously tested with high-quality research designs, have been shown to yield returns that would likely repay the relatively low costs of implementing them.

THE EVIDENCE

We begin with the case of informational support. The well-known problem here is that high-achieving students from low-income families often opt against going to college or choose poorly-performing colleges that do not fully exploit their capacities or maximize their chances of graduating. Although this problem could be addressed by hiring more high-school advisors, a cost-effective alternative is to cull the relevant test and grade data and send individualized information to low-income students indicating appropriate college matches, financial options, and how to apply. The relevant experimental results are very strong: When a treatment group is sent this information and provided fee waivers, their rates of application, acceptance, and enrollment are substantially higher than those of the control group.[63] The estimated per-student cost of this intervention is very low.

Are there equally inexpensive interventions that affect actual achievement? Indeed there are. Over the last decade, a series of randomized field experiments have shown that small social-psychological interventions targeting thoughts, feelings, and beliefs about school have had striking and lasting effects on educational achievement. The evidence shows, for example, that a sharp increase in math achievement is observed when middle-school students attend an eight-session workshop teaching them that cognitive capacity, far from being determined at birth, is in fact malleable because "the brain is like a muscle and grows with effort."[64] There is currently research under way demonstrating how these and related interventions can be taken to scale and reduce the growing achievement gap between poor and well-off students.

The third intervention aims at increasing the rate at which low-income students show up for their first year of college (after having been accepted). At the cost of approximately $7 per student, attendance rates for low-income students can be increased by sending automated (but personalized) text messages that (a) remind them of important tasks to complete as the beginning of the term approaches, and (b) refer them to other support services as necessary.[65] The latter costs can be recovered via reduced program costs and higher earnings (and accordingly higher tax revenues).

These three interventions proceed from the recognition that big problems are sometimes amenable to highly targeted and narrow-gauge solutions. Although there is no disputing that early childhood education yields higher payoffs than *conventional* late interventions (e.g., conventional job training programs), it is not clear that it yields any higher payoffs than these targeted informational and social-psychological interventions.[66] The simple point here: Because there are several critical junctures in human capital formation, a smart anti-poverty policy will take on each of them, not just the early ones. The objective, then, is a comprehensive supply-side policy that intervenes at all of the high-payoff junctures and thereby prevents blockages from emerging at any point in the supply chain for skilled labor. It bears noting that, while the late interventions featured here have compelling evidence behind them, a host of others also hold promise and might be developed into a fuller suite of late interventions.[67]

Workforce Development

We next consider workforce training programs that typically entail intervening after secondary schooling has been completed. These programs, which have not always performed well in evaluation studies, are sometimes pitched as the prototypic low-return alternative to

high-return early investments.[68] Although the evidence for workforce training programs is indeed less attractive on average, we review here some relatively new programs that hold promise and that warrant more substantial investments.

The simple rationale for job training programs is that they can build skills that, in principle, increase employability and wages. That is, just as a college degree elevates skills and qualifies workers for higher-paying jobs, so too training programs can qualify workers for high-skill craft, service, and technical jobs and move them out of crowded low-wage markets. If these programs are operating well and at sufficient scale, they will help not just those who directly participate in them but also those who remain in the low-skill sector (by reducing the number of competitors within that sector). These two effects, taken together, should in theory work to reduce poverty.

Is such theory realized in practice? There are two main reasons why often it is not. Most obviously, insofar as the programs in question focus on job search rather than job training, then the foregoing skill-upgrading effects are no longer directly in play. If there are nonetheless poverty-reducing effects of such programs, they arise principally because recipients can transition more rapidly into available low-wage jobs. These programs allow, in other words, the market to clear more quickly. The second and equally obvious caveat is that training programs will only yield a return when they develop skills that are in high demand. The latter point argues for "sectoral programs" in which the type of training on offer is adjusted to reflect the needs of expanding sectors. The available evidence on sectoral programs, which is reviewed below, suggests that they can yield sizable returns.

CALIFORNIA BACKDROP

The main fiscal backdrop to this discussion is an ongoing shift in federal support from job training to higher education. The federal funding for the Pell Grant Program, which provides vouchers covering college tuition and related expenses for low-income students, dwarfs that for job training.[69]

The commitment to job search and job training nonetheless remains substantial and takes place in community colleges, American Job Center offices, and a variety of CalWORKs programs. The community colleges offer a host of state-funded training programs; the American Job Centers, which are federally funded, provide job search and job training opportunities; and CalWORKs operates a variety of programs to transition clients into work. With the new Workforce Innovation and Opportunity Act (WIOA), just passed in 2014, the training landscape in California will likely shift somewhat. The new act will consolidate training and search programs, promote sectoral training for high-demand industries and occupations, and improve services to individuals with disabilities. Although California's one-stop centers now mainly provide job search assistance, it is possible that WIOA will promote a shift to job training.[70]

THE PROPOSAL

The evidence reviewed below suggests that the ongoing transition to sectoral programs is sound policy. With the implementation of WIOA, the transition to sectoral training will likely continue and may even intensify, but additional changes in California's system of financing community colleges may also be required. Because the technical training for California's emerging sectors is often more costly to offer, the current system of financing, which is based on a simple per-student formula, does not always provide adequate incentives to offer the courses that are most needed.[71]

THE EVIDENCE

The evidence on the effectiveness of workforce development programs is extensive and often high quality. There are three key results coming out of this literature.

Modest effects of general training programs: The best and most recent estimates of the returns to general training programs reveal a modest increase in the earnings of disadvantaged adults who undergo training.[72] These increases, which tend to be larger for women than for men, are mainly attributable to increases in hours worked rather than higher wages. Although some of these effects fade over time, most analysts find that they are still large enough to be cost-effective (albeit not necessarily as cost-effective as early childhood interventions).[73]

Modest effects of mandatory employment and training programs: There is also a substantial literature on the effects of employment and training programs for welfare recipients. These programs, which are often mandatory, tend to be most effective when participants are *not* mandated to first engage in job search before turning

to training.[74] The evidence suggests that, for low-skill workers and those with outdated skills, job training programs have larger effects on employability and earnings than job search programs.[75]

Sectoral programs may yield larger effects: The sectoral approach to workforce development targets training to particular employers that need workers or to particular sectors of the economy in which labor demand is strong. These programs often combine community college training with work experience. Although much research on sectoral programs is now under way, the evidence accumulated to date shows that participants in sectoral programs are more likely to be employed and have substantially higher earnings.[76] In some cases, employers have been resistant to sectoral programs that target the disadvantaged, but this reluctance can be overcome.

These results suggest that, insofar as any supplementary investments in workforce development are made, sectoral approaches may well yield the highest payoff. Because community colleges have become the center of contemporary workforce development, this ongoing shift to sectoral programs may be best promoted by developing new funding formulas that incentivize community colleges to carry out training in high-demand fields and to work in close collaboration with relevant employers.

Creating Jobs and Making Work Pay

The equal opportunity approach, which focuses on upgrading the skills and capacities of California's labor force, might be criticized for ignoring the role of low-paying jobs and inadequate demand in generating poverty. After all, if the main problem is that there aren't enough jobs and the available jobs just don't pay enough, shouldn't we take the bull by the horns by simply increasing the number of jobs and the pay of existing jobs? We address this criticism by turning to demand-side approaches that address poverty by (a) directly creating jobs for the disadvantaged, and (b) supplementing the income, via tax credits, of those who are working in low-wage jobs.

The demand-side approach may be understood as a direct response to the "jobs problem" in California. The unemployment rate in California, currently at 7.0 percent, is the 3rd highest in the country; the discouraged worker rate, which includes those who have "given up" looking for work, is the 5th highest in the country; and the labor force underutilization rate, which also takes into account underemployment and marginal forms of attachment, is the second highest in the country.[77] Whereas a labor-supply approach addresses the jobs problem by attempting to shift workers into sectors where demand is higher (i.e., high-skill sectors), there is also a long history of addressing it by directly expanding employment opportunities for the hard-to-employ. This approach has been viewed as especially attractive in raising employment rates for groups (e.g., blacks) that face discrimination even when they have the requisite skills.

There are of course two types of "job problems" in California. The first problem, as was just discussed, is that there aren't enough jobs, while the second problem is that the available jobs often do not pay enough to protect against poverty. The second problem, like the first one, *could* be addressed with a labor-supply approach: By increasing their skills, workers are more likely to escape the low-wage sector, which not only raises their own wages but also tamps down wage-lowering competition among those still in that sector. The demand-side approach takes on the same problem more directly by supplementing the income of low-wage workers via the minimum wage or the Earned Income Tax Credit (EITC). Because there are ongoing efforts to further raise California's mimimum wage, the comments below will focus on the possibility of a parallel effort to increase the EITC.[78]

We have suggested that wages in the low-skill sector are unduly low because the sector is flooded with workers who have not had a full and open opportunity to secure higher skills. The approaches discussed in the prior sections are intended to equalize such opportunities: We need to expand home-visiting programs because we want all children, no matter how rich or poor their parents, to be raised in environments that protect their health and develop their capacities; we need to expand early childhood education because we want all children, no matter how rich or poor their parents, to be raised in environments in which those capacities are cultivated and have an opportunity to flourish; and we turn to late-childhood interventions because we want all children,

no matter how rich or poor their parents, to have full and complete access to college or other training opportunities. It will of course take more time than we would like for these opportunity-equalizing programs to bear fruit. If tax credits are applied now, we can immediately raise the pay of low-skill workers and thereby compensate, if only partially, for the reduced opportunities that most of them faced earlier in their lives. Although the need for such wage support will lessen as soon as opportunities are equalized, there is a pressing need to prop up wages now given that the low-skill sector is flooded with workers who did not have many opportunities.

It also bears noting that any meaningful commitment to equal opportunity must go beyond such wage support by addressing the legal and institutional sources of poverty. The careful reader will note that—to this point—our discussion has followed convention by conflating anti-poverty policy with safety net policy. This conflation, however conventional, is deeply problematic. After all, wages and unemployment are also directly affected by a host of legal and institutional practices that are quite unrelated to the safety net itself, practices that lead to (a) systematic failures to pay workers for overtime and other work hours (i.e., "wage theft"), (b) an especially high risk of incarceration for children born into poverty (notably African Americans), and (c) employment discrimination against mothers, many racial and ethnic groups, undocumented immigrants, and the formerly incarcerated. These various forms of discrimination, each of which is inconsistent with a commitment to fair pay and equal opportunity, can be addressed through legal reform and improved enforcement (much of which can be implemented at the state level).

THE CALIFORNIA BACKDROP

In California, a wide range of demand-side initiatives are in play, initiatives that rely either on subsidized employment programs or on income supplementation, via tax credits, for low-wage workers.[79] These initiatives fall into the following three classes.

Subsidized employment programs: In a subsidized employment program, jobs are provided for those who cannot find employment in the regular labor market, with public funds used to pay all or some of their wages. The American Recovery and Reinvestment Act (ARRA) allowed CalWORKs to expand its subsidized employment program in 2009 and 2010. Although this emergency funding is no longer available, CalWORKs has nonetheless continued a subsidized employment program, allocating $39.3 million to it in fiscal year 2013-14. This program creates fully or partially subsidized jobs in partnership with private employers, non-profits, and public agencies.

Hiring credits: The California Enterprise Zone program provided tax credits to businesses in economically depressed areas for hiring "disadvantaged" workers. This program, which was eliminated in 2013, has been replaced by a hiring credit for businesses in census tracts with high unemployment and poverty rates.[80] The federal equivalent, the Work Opportunity Tax Credit, provides tax credits to employers who hire from certain target groups that have faced barriers to employment.[81]

Earned Income Tax Credit: The EITC, which is of course a federal program, is designed to supplement income for low-earnings workers. For households with very low earnings, the dollar amount of the EITC increases as earnings rise, a design that incentivizes work. In recent years, approximately 20 percent of California tax filers qualified for the EITC, with the average filer receiving $2,302 (in 2012).

It is conventional to treat subsidized employment, hiring credits for employers, and the EITC as very different programs. For our purposes, they are usefully classed together because all of them treat poverty as a demand-side problem that is best addressed by either (a) creating more jobs (via subsidies or tax credits to businesses), or (b) reducing the number of "poverty jobs" (via tax credits to low-earning workers).

THE PROPOSAL

Because the evidence for subsidized employment is quite mixed (as will be discussed), the most promising demand-side approach is to create a California State EITC. To date, 26 states have their own state-funded EITCs, usually taking the simple form of a fixed percentage of the federal credit. If the federal EITC were supplemented by ten percent, California would be a "middle-of-the-pack" state (relative to other states currently providing supplementation).

The second and equally important class of wage-

enhancing and job-creating reforms are those that address unfair pay and employment practices. We are referring here to legal and institutional reforms that eliminate wage theft, unequal and discriminatory risks of incarceration, as well as employment and pay discrimination against mothers, disadvantaged racial and ethnic groups, undocumented workers, and the formerly incarcerated.

THE EVIDENCE

As noted below, there is a long history of interest in public sector employment for the poor, indeed it extends back to the War on Poverty. Although President Johnson rejected proposals at that time for a substantial job creation program, a few relatively modest programs were created in the 1960s and 1970s (e.g., Neighborhood Youth Corps [NYC], Work Incentives Program [WIN], Job Opportunities in the Business Sector [JOBS], Comprehensive Employment and Training Act [CETA]). In the late 1970s, President Carter expanded CETA, especially its programs for public sector employment for the poor. Under the Carter administration, tax credits to private employers were also used to expand job opportunities for certain categories of disadvantaged workers, an initiative tagged the Targeted Jobs Tax Credit (and now renamed the Work Opportunity Tax Credit).

These initiatives are of interest because they provide an opportunity to examine the effectiveness of direct job creation. The two main questions of interest are (a) whether the participants in these programs experienced long-term benefits (on earnings, employment, and other labor market outcomes), and (b) whether the programs work to increase overall employment. The evidence on both questions has been mixed.

On the matter of long-term benefits to participants, the evidence shows that they are typically quite modest, except when the jobs programs also provided an intensive set of support services to the participants.[82] In a careful meta-analysis of 97 studies, it was recently concluded that "subsidized public sector jobs programs are generally less successful" than job search and training programs, a result that reinforces much of the previous research on this question.[83]

The results on the second question are equally mixed. On the positive side, there is some evidence that subsidized public sector jobs can generate a net increase in employment, although only when the programs carefully target the types of jobs that are created and the types of workers who are employed.[84] With such careful targeting, it is *not* the case that public sector employment simply substitutes for private sector employment, in the end yielding no net increase in employment.[85] Although the available evidence suggests, then, that a net increase in employment can be generated, it has to be borne in mind that costs per participant may be high. The benefits of employer tax credits (e.g., the Work Opportunity Tax Credit) are even less clear: The oft-noted problem with such programs is that firms can benefit from participation even without changing their hiring practices. Indeed, when firms participating in tax credit programs were surveyed by the Department of Labor, only 10 percent reported any change or modification of their hiring practices for purposes of securing the credit.[86]

It is results such as the foregoing that have led most scholars to conclude that the EITC is a preferred approach. This conclusion is based in part on the now overwhelming evidence that the EITC increases employment and earnings.[87] When the EITC has been expanded, the increases in employment among families with children are quite substantial, especially among those with female family heads.[88] The downstream benefits of the EITC are likewise impressive: The EITC improves the mental and physical health of mothers, reduces the likelihood of low birth-weights, improves the performance of children on cognitive tests, and increases college enrollment.[89] Although we have emphasized the direct effects of the EITC on compensation, this extra money delivered to parents makes it into a supply-side intervention as well. When parental income is increased, children are raised in healthier and less stressful circumstances, which in turn positions them to make more substantial human capital investments. This is why Hilary Hoynes recently concluded that the EITC may "ultimately be judged one of the most successful labor market innovations in U.S. history."[90]

Does it follow that an expanded EITC could fully solve California's poverty problem? This seems rather unlikely. If an EITC supplement were adopted in California, many families in deep poverty would simply not benefit from it. From its inception, the EITC has been intended to incentivize work, which means that families without workers will not directly benefit from it. The ongoing rise

of nonworking poverty would therefore go quite unaddressed by a typical EITC-based reform.[91] This suggests that, insofar as a state EITC were adopted, it should be coupled with other reforms, especially increased CalWORKs funding, that assist those in even more profound need. The equal opportunity reforms discussed above may be usefully paired with a ramped-up EITC precisely because such reforms would assist children and adults in more profound need.

This part of the equal opportunity plan, unlike the foregoing parts (i.e., home visiting, early childhood education), thus relies on cash transfers or tax credits. Are such transfers or credits difficult to reconcile with core U.S. values? Absolutely not. The EITC is consistent with the country's values not just because it ensures that "work pays" but also because it compensates for the reduced opportunities that most recipients faced earlier in their lives. This is not, however, the only way in which income transfers are opportunity-equalizing interventions. The EITC and CalWORKs also equalize opportunities for the *next generation:* That is, by raising the income of poor families, the EITC and CalWORKs act to level the playing field for the children raised in these families. There is growing evidence that, when income is transferred to poor families, the children in these families ultimately grow up healthier, have higher earnings, and work longer hours.[92]

The legal and institutional reforms noted above are an equally important component of the equal opportunity plan. Although we have focused much of our commentary on safety net reform, this complementary legal and institutional reform cuts to the heart of any commitment to equal opportunity and must accordingly be understood as central to any meaningful equal opportunity plan. The available evidence, which suggests such reform would dramatically raise employment and wages in high-poverty populations, again speaks to the power of policies that address causes (e.g., discrimination) rather than symptoms (e.g., low pay, unemployment).[93]

IMPLEMENTING THE EQUAL OPPORTUNITY PLAN

The foregoing approach, which we have dubbed the equal opportunity plan, entails bringing together a set of cost-effective interventions that are targeted to critical moments in the lifecourse. Although many of these interventions (e.g., early childhood education) have been represented as "stand alones" that suffice in and of themselves, the equal-opportunity approach is distinctive by virtue of bundling them together, addressing each of the critical junctures in the lifecourse, and thereby endeavoring to remove blockages at each stage in the supply chain. The payoff to a home-visiting approach, for example, is only fully realized insofar as the children benefiting from it can then be "handed off" to early childhood education programs that will exploit new capacities for human capital investment.

It is accordingly important that this sequence of programs are properly coordinated in ways that ensure a successful "hand off." This coordination may occur in either a centralized or decentralized way. Under a centralized approach, the coordination problem is solved at the state level, with representatives of state service agencies (e.g., California Dept. of Social Services) endeavoring to build programs that integrate well with one another. This is of course an ongoing and imperfectly realized process.

The alternative approach, to which we'll now turn at length, instead approaches the coordination problem at the local level. It recognizes that, in any given community, the constellation of service providers is quite variable and that community-specific plans for integrating them are likely to be most successful. The best-known initiative of this sort, Promise Neighborhoods, may be understood as a particular rendition of an equal opportunity approach. That is, Promise Neighborhoods also take an intensive approach to child development, but the onus rests on each neighborhood to develop comprehensive plans for integrating services based on input from local non-profits, businesses, schools, municipal governments, community residents, and social science researchers.[94] These plans describe how local constituents can come together to provide counseling for new parents, health services, high quality education, and job training for youth. As this list reveals, the services themselves are very similar to those described above (as part of an equal opportunity approach), but they are now being coordinated and delivered under the directive of a community-specific plan.

To date, the Promise Neighhorhood initiative has been federally funded, with two stages of federal funding available. The first stage in becoming a Promise Neighborhood is to apply for a small federal planning grant (approx. $350,000–$500,000) that funds community leaders to build local relationships and ultimately develop a comprehensive implementation plan. If that plan is then supported, the second stage is to secure a further multimillion-dollar "implementation grant," again with federal funds. The latter grant, although typically not large enough to support direct services, can be used to ensure that services are well coordinated and delivered in accord with the larger community plan.[95]

The purpose of this section is to describe this decentralized form of service delivery in some detail. At this point, there is not enough evidence to determine whether the services comprising the equal opportunity plan are best delivered in a centralized or decentralized way, given that (a) the evidence on the effectiveness of a decentralized approach is still accumulating, and (b) an explicit comparison of centralized and decentralized approaches to delivery has not been undertaken. We will therefore simply report on such evidence as is currently available on decentralized service delivery.

THE CALIFORNIA BACKDROP

To this point, we have placed special emphasis on the Promise Neighborhood initiative, as it is the most prominent neighborhood revitalization initiative in the country and is also quite directly focused on supply-side interventions. The current landscape of neighborhood-based interventions in California is nonetheless rather broader and encompasses both demand-side and supply-side initiatives.

Promise Neighborhoods: To date, four communities in California have received implementation grants (i.e., Los Angeles, Chula Vista, San Francisco, Hayward),

and another three communities have received planning grants (i.e., Corning, Campo, Fresno).[96] The Los Angeles initiative, which is the largest, is a public-private partnership of the city, the county, and the Los Angeles Unified School District.[97] The implementation grant will be used to transform 19 neighborhood schools into full-service community schools and to open 6 community centers and dozens of smaller satellite centers. It will offer 65 programs for youth and families in partnership with 60 local organizations. The other communities receiving planning and implementation grants are relying on smaller federations of schools and service organizations.

Promise Zones: The Promise Zones initiative is a related federal program aimed at comprehensive neighborhood redevelopment through job creation, increased economic security, expanded educational opportunities, increased access to affordable housing, and improved public safety.[98] Unlike Promise Neighborhoods, which are quite relentlessly supply-side in their approach, Promise Zones also incorporate various demand-side interventions (e.g., job creation). The first five program awards were announced in 2014 and included Los Angeles as one of the sites. Although Promise Zones do not receive any dedicated grant funding from the federal government, they are given priority in receiving grants from already existing federal sources.

Strong Cities, Strong Communities (SC2): The SC2 initiative, which includes Fresno in its first cohort of cities, is likewise focused on demand-side interventions (e.g., economic development, job creation) as well as supply-side ones.[99] Like the Promise Zones initiative, it allows local governments to acquire and use federal funds more effectively for transportation projects, community development projects, and other investments.

The key problem facing California is that the demand for Promise Neighborhoods and other neighborhood initiatives exceeds the available funding. Although 78 communities in California have applied for planning and implementation grants for Promise Neighborhoods, only seven have received one or both. It is possible, then, that an equal opportunity approach of the sort laid out above could be implemented in a decentralized fashion by funding a comprehensive system of Promise Neighborhoods. This initiative, which could be administered by the State Department of Education, might reasonably fund both planning and implementation grants, as in the federal initiative.[100]

THE EVIDENCE

It is not yet possible to rigorously evaluate the effectiveness of Promise Neighborhoods because they have only recently been awarded. The Harlem Children's Zone (HCZ), which was founded in the 1970s and then ramped up in the 1990s, has served as the inspiration for the federal initiative and accordingly provides an obvious opportunity for indirect evaluation of the Promise Neighborhood concept. The HCZ programs include instruction for expecting parents, education on child development, a full-day preschool, a charter school as well as in-classroom and after-school support for public school students, youth development programs for public middle-school students, and various college preparatory services.[101]

The most rigorous evaluation of the program exploited the lottery for enrollment into HCZ charter schools to compare the performance of lottery winners against lottery losers.[102] According to the lottery estimates (as well as other instrumental variable estimates), students who attended an HCZ charter school had much higher math and English test scores, with the HCZ boost being big enough to close the black-white achievement gap in math by 9th grade and in English by 3rd grade. The same gains in achievement were not experienced by siblings of HCZ charter students who were ineligible to attend the HCZ schools (due to age cut-offs). Because these siblings *did* have access to the HCZ community programs, it appears that the gains in test scores were attributable to charter school attendance rather than the associated community programs. Also, because HCZ charter students from outside the zone performed as well as those inside the zone, it would again appear that wrap-around community services were less important (as those from outside the zone rarely used these wrap-around services).

The preceding evaluation, although widely heralded, has not gone unchallenged. In a follow-up assessment by the Brookings Institution, the test scores from an HCZ charter school were compared to those from other non-HCZ charter schools, a design that does not exploit the lottery for enrollment into HCZ charter schools.[103] This study instead used statistical controls to adjust for demographic and socioeconomic differences between

the students attending HCZ and non-HCZ schools. The results from this design were clearly less impressive: The test scores of HCZ charter students were only in the middling ranges when compared to test scores for non-HCZ charter schools.

Which result is to be believed? Although we cannot review the substantial literature on the HCZ evaluation here, a key point is that students in the HCZ charter school started out with much lower test scores than those attending the non-HCZ schools in the Brookings Institution study.[104] The test scores for HCZ students grew rapidly off this low baseline, but not rapidly enough to catch up with the best non-HCZ scores. It follows that the lottery design yielded a more favorable result because it properly protected against preexisting differences between the treatment and control groups. The nonexperimental approach, by contrast, did not fully control for differences in baseline conditions across the schools being compared. The consensus view, then, is that the HCZ has yielded impressive results.

This is not to suggest that the proposed Promise Neighborhoods initiative will necessarily yield results that are just as favorable. The main worries in this regard are threefold:

Will a leaner version work? The HCZ costs were approximately $19,000 per student in 2009.[105] This includes $4,657 per student in HCZ-covered school costs and $2,172 per student in after-school and wrap-around costs. It is of course unclear whether a leaner program will generate different results.

Are community-based services needed? The HCZ results called into question the returns to community-based services. If the very favorable results were indeed secured mainly by ramping up school quality, it might be more cost-effective to concentrate on school reform alone.[106]

Can an adequate level of coordination be achieved? The HCZ is a highly centralized organization that operates all charter schools and community programs under the same umbrella. By contrast, very few of the first Promise Neighborhood planning grantees had preexisting relationships with local schools before applying for their implementation grants, a state of affairs that contrasts sharply with that of the highly centralized HCZ. It is unclear whether the high level of coordination achieved under the centralized HCZ can be successfully reproduced in other communities.[107]

The latter question of coordination cuts to the heart of the Promise Neighborhood initiative. In principle, there is much to be said for locally-generated coordination, all the more so because the sources and types of poverty vary by community, the constellation of service providers varies by community, and the available resources vary by community. What is unclear, however, is whether a local approach can bring about the desired coordination without also adopting the centralized organizational structure of an HCZ.[108] The simple upshot: The available science clearly establishes the value of an equal opportunity approach, but it does not yet clearly establish whether centralized or decentralized delivery will yield the highest payoff.

CAN A CASE FOR SAFETY NET REFORM BE MADE?

In understanding why California has so much poverty, it is useful to distinguish between the poverty generated by (a) an economy that fails to deliver enough jobs and, in particular, enough poverty-escaping jobs, (b) a complex of health, family, and training institutions that fails to provide low-income children with adequate opportunities to develop their capacities and acquire skills, and (c) a safety net that fails to step up and adequately remediate the damage wrought by (a) and (b) together. We have discussed the first two sources and now conclude our report by considering the third.

How, then, might we grade California's safety net? If any overall assessment is to be had, it is that the state's safety net is hard-pressed to cope with the very high rates of poverty that our still-struggling economy and deeply flawed training institutions have handed it. In the introduction to this report, we showed that California's poverty rate would increase by 12.9 points (from 22.0% to 34.9%) if all safety net benefits, both federal and state alike, were suddenly eliminated (see Figure 5). In evaluating this result, one can at once be impressed with (a) the size of the reduction (i.e., 12.9 points), and (b) the percentage of the population that remains in poverty even after the safety net does its work (i.e., 22.0%).

It's the latter interpretation, however, that leads to the view that a ramped-up safety net might deliver a rather larger reduction in poverty. Because many families in poverty are not using the programs available to them, the state's poverty rate could, at least in theory, be substantially reduced by more aggressively disseminating information about programs, by making the enrollment process as frictionless as possible, or by ensuring that clients are in the optimizing constellation of programs. It cannot be ruled out that a cost-effective approach to addressing California's high poverty rate is simply to ensure that our existing programs are well and fully used. The purpose of this final section is to examine the likely returns to such an approach.

There is good reason to believe that take-up could be improved for at least some California programs. Among those eligible for CalFresh, only 53 percent receive benefits, a participation rate that ranks California dead last among the states.[109] Although this rate is artificially lowered in California because SSI recipients, who have characteristically high participation, are ineligible for CalFresh, it is still likely that take-up in California could be increased substantially.[110] As for the EITC, approximately 71 percent of eligible Californians receive the credit, again a participation rate that is substantially lower than that for the country as a whole.[111] By contrast, CalWORKs serves approximately 50 percent of children in poverty, a rate that is higher than in most states.[112] Even so, it is clear that CalWORKs is still underused, especially by immigrants and single mothers.[113] There are of course many reasons why CalWORKs and other programs are underused, including a misunderstanding of eligibility requirements, the belief that program participation is stigmatizing or unnecessary, and the difficulties and inconvenience of applying.[114]

It may be possible to overcome some of these problems with a streamlined application process and improved advertising and dissemination of information. Even for scholars of poverty, the landscape of available programs and services in California is complicated, as is the process of applying for them. For residents of California, there is an integrated online system for applying to CalWORKs, CalFresh, and MediCal (which, depending on the county, is either CalWIN, C-IV, or LEADER), a separate online system for applying for unemployment insurance (EDD Online) and Disability Insurance (SDI Online), a related online job center providing training and job search assistance (and the associated America's Job Centers of California), an online portal for determining eligibility and enrolling in health care (CalHEERS), a separate online system for applying for federal Social Security benefits, a required in-person application for Supplemental Security Income (including the California supplement), a community-specific application process for Head Start, and an online application process for the California LIHEAP program. This is, by any standard, a daunting landscape.

There are two ways forward when the program environment is so complicated. The first approach, that of centralizing and streamlining the application process, requires (a) solving the technical problem of building high-quality websites and other application systems, and (b) solving the administrative and legal problem of

aligning policies across disparate programs.[115] There are currently no plans in California to effect cross-program aligning and streamlining of this sort (although one of the online systems for applying to CalWORKs, CalFresh, and MediCal is being updated). The second approach, by contrast, takes the complicated landscape of programs for granted and focuses on helping Californians negotiate it with the assistance of programming (e.g., home visiting) delivered under an equal opportunity approach.

It follows that, insofar as an equal opportunity approach is adopted, one should first understand its effects on take-up before proceeding with any further reform. If the take-up problem remains even after the plan is implemented, then clearly an alternative or supplementary effort is required. The most promising way forward in this case may be to take seriously the task of aligning programs and streamlining the application process. This new process could be built—from the ground up—on insights from behavioral economics that have been demonstrated to increase take-up.

It is relevant in this regard that the U.S. Department of Health and Human Services has undertaken an extensive study of the returns to rebuilding the application process in ways that exploit some of the key principles of behavioral economics.[116] That is, rather than assuming that clients will incorporate and dispassionately weigh all available evidence, this approach recognizes that the human capacity for attention, cognition, and self-control is limited in ways that may interfere with take-up. In one of their experimental projects, the research team examined why incarcerated noncustodial parents typically do not apply for a modification of their child support orders, even though doing so would have reduced their accumulated debt while incarcerated. The team undertook a full redesign of the application that entailed sending a teaser postcard notifying potential applicants for modification in advance of their first full-blown letter ("awareness raising"), using a short checklist to simplify the application process (reduced "cognitive load"), mentioning that other parents had their child support orders reduced to as low as zero ("social influence" effect), pre-populating the forms with existing administrative data (reduced "hassle factor"), and gently reminding those who failed to respond ("the nudge"). These revisions, taken together, brought about a large increase in take-up.

If the same principles were systematically applied to each of California's programs, the increased take-up would likely reduce poverty substantially. The application process, now streamlined, could also be made available via a smart phone application. As of 2013, 43 percent of those with household incomes of less than $30,000/year mainly used their smart phone to access the internet, a result likely driven by the relatively high cost of maintaining other devices (e.g., laptops, tablets, desktop computers).[117] It would also be possible to deliver automated and personalized messages reminding clients of reapplications, informing them of work, training, and school opportunities, and otherwise providing access to help and services. There is a growing body of evidence showing that personalized reminders of this sort, when crafted in accord with the best behavioral principles, can strongly influence behavior.[118] This new cadre of "automated caseworkers" could accordingly provide personalized cradle-to-grave service for pennies on the dollar, release the human casework staff from routine administrative tasks, and instead allow them to devote their time to high-value activities.

It follows that the ongoing experimentation with such behavioral principles should be carefully watched. If take-up problems persist even after the the equal opportunity plan is implemented, it may be in California's interest to integrate these principles into its application process.

CONCLUSIONS

We led off this report by noting that California's poverty rate, which now stands at 22.0 percent, is higher than that of any other state. Worse yet, the poverty rate for high-school dropouts is a shocking 53.9 percent, a rate over five times higher than that for college graduates. The safety net has of course stepped up to the challenge by reducing poverty substantially relative to what would have prevailed in its absence (see Figures 5 and 6). That said, even after the safety net has done all its important work, we are left with more than one in five Californians in poverty and the highest poverty rate in the country.

Why hasn't this dismal state of affairs led to the usual task forces, the development of a new antipoverty plan, and concerted action? There are, to be sure, many reasons why poverty hasn't been taken on, but an especially important one is that we haven't known how to do so in a way that's both backed by science and consistent with our beliefs about how a safety net should work. We therefore default to a business-as-usual stance in which safety-net funding plods along, the poverty research industry plods along, and there is but a vague and distant hope that ultimately a magic-bullet solution will present itself.

We do not need to wait any longer. The main purpose of our report has been to display just how far the relevant science has come and to craft an anti-poverty program rooted in that science. Although the evidence is not always clear-cut, there is a growing consensus around a two-pronged approach that combines opportunity-equalizing and wage-raising reform. This approach is well-tested, yields returns in excess of the investments, is consistent with our most fundamental commitments about how labor markets should be set up, integrates well with existing programming in California, and can be delivered with a centralized or decentralized (e.g., Promise Neighborhood) approach.

The resulting program is not about treating symptoms, not about providing short-term relief, and certainly not about charity. It is about building a training system, labor market, and economy that provide opportunities for everyone and that ensure decent rewards for hard work. Because the proposed supply-side and tax-credit reforms treat the upstream causes of poverty, they will bring about a *permanent* reduction in the size of the poverty population and reduce future demands on the safety net. The poverty population will permanently shrink because low-income children will have new opportunities to develop capacities and make high-payoff investments in skills. By virtue of these opportunities, children from low-income families will no longer be mired in the low-wage sector, which not only raises their own wages but also reduces wage-lowering competition among the shrinking number of children who do remain in that sector.

The evidence behind this program is strong, but it is not just evidence alone that recommends it. It is also attractive because, unlike some safety net programs and interventions, it comports well with the country's long-standing commitment to equalizing opportunity and ensuring that hard work pays off. We too often embrace the latest flavor-of-the-day programs simply because they "work" and have supporters. This is surely understandable: After all, only rarely does *any* poverty-reducing program have much support, so we're loathe to be all that principled when one finally does. The great virtue, however, of a more principled approach is that it lays out our commitments clearly and allows us to build our institutions in defense of them. The equal-opportunity approach, for example, reminds us that we're committed to providing opportunities for all children and that we'll intervene aggressively whenever that commitment is circumvented. When our safety net tells a simple story in this way, it becomes a cherished institution that we hold near and dear, an institution that makes sense to us and that we're especially willing to defend.

ENDNOTES

1. Short, Kathleen. 2012. "The Research Supplemental Poverty Measure: 2011." *Current Population Reports*, P60-244, November, http://www.census.gov/prod/2012pubs/p60-244.pdf.

2. The Children's Defense Fund has recently laid out a comprehensive plan for reducing poverty. Although it's an attractive plan that deserves careful consideration, we are presenting here an alternative long-run plan that minimizes reliance on ongoing cash transfers. See http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html. For a plan closer in spirit to that proposed here, see Sawhill, Isabel and Quentin Karpilow. 2014. "How Much Could We Improve Children's Life Chances by Intervening Early and Often?" Washington, D.C.: The Brookings Institution. The Colorado Opportunity Project is likewise similar to the plan outlined here (see Winship, Scott, and Stephanie Owens. "Guide to the Brookings Social Genome Model." Washington, D.C.: Brookings Institution).

3. For more details on the CPM, see Christopher Wimer, Marybeth Mattingly, Matt Levin, Caroline Danielson, and Sarah Bohn. 2013. "The California Poverty Measure: A Portrait of Poverty Within California Counties and Demographic Groups," *The Stanford Center on Poverty and Inequality*, http://www.inequality.com/poverty/cpm.

4. This is not to gainsay the equally important point that the CPM can and should be improved upon in various ways (see Christopher Wimer, Barbara Bergmann, David Betson, John Coder, and David B. Grusky, 2011, "The Future of U.S. Poverty Measurement," *Pathways Magazine*, Fall 2011, pp. 20-25, http://web.stanford.edu/group/scspi/_media/pdf/pathways/fall_2011/PathwaysFall11_Wimer.pdf; Bruce D. Meyer and James X. Sullivan, "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure." *Journal of Economic Perspectives* 26 (3), pp. 111-36).

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6. The 2012 CPM statistics will not be released by the Stanford Center on Poverty and Inequality until May, 2015. The Census Bureau does, however, release an SPM poverty rate for the pooled 2011-13 Current Population Survey. This pooled rate is 23.4 for California, while the OPM is 16.5 (for California in 2013). See DeNavas-Walt, Carmen, and Bernadette D. Proctor. 2014. U.S. Census Bureau, Current Population Reports, P60-249, Income and Poverty in the United States: 2013, U.S. Government Printing Office, Washington, DC.

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12. Reeves, Richard. 2015. "The Mobility Moment." Monitoring Social Mobility in the 21st Century, edited by David B. Grusky, C. Matthew Snipp, and Timothy Smeeding. *The Annals of the American Academy of Political and Social Science.*

13. This decline in the population of the nonworking poor is not wholly attributable to these welfare reforms. Because the reforms occurred during a period of economic expansion, some portion of the decline may be attributed to the increased demand for workers.

14. It follows that the recommendations advanced here do not encompass the full constellation of programs for which strong evidence of effectiveness can be found. For an excellent review of many programs not covered here, see Ron Haskins, "Social Programs that Work," New York Times, December 31, 2014 (http://www.nytimes.com/2015/01/01/opinion/social-programs-that-work.html?_r=0). See also Ron Haskins and Greg Margolis, *Show Me the Evidence*, 2014, Washington, D.C., Brookings Institution Press. We also decided from the outset that it would be unwise to address domains in which major reform efforts were either under way (e.g., health care, incarceration) or were being planned (e.g., housing). For an excellent plan related to the one presented here, see "Ending Child Poverty Now." Children's Defense Fund. http://www.childrensdefense.org/library/PovertyReport/EndingChildPovertyNow.html.

15. Because the available research is often voluminous, and because the threats to validity in any given piece of research are often complicated to evaluate, there is inevitably some amount of art involved in the task of making these assessments. We cannot therefore pretend that the assessments laid out here are shared by all experts. To the contrary, there are legitimate differences of opinion in assessing the state of the evidence, differences that we will attempt to openly report.

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23. This estimate equals the difference between the total number of families in CPM poverty and the total number currently served under the California Home Visiting program or the Early Start Program. It does not take into account that some proportion of these families would not opt to participate in any new services. Moreover, because it does not adjust for families served under other home visiting programs, it is likely an upper-bound estimate of unmet need. But even more conservative estimates reveal substantial need. See California Department of Public Health. 2011. *California Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program: Supplemental Information Request for the Submission of the Statewide Needs Assessment*. Sacramento, CA: Maternal, Child, and Adolescent Health Program Center for Family Health. http://www.cdph.ca.gov/programs/mcah/Documents/MO-HVP-FinalCaliforniaStatewide-HV-NA.pdf.

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26. See, e.g., "Interview with Dr. David Olds Regarding his Reanalyzed Findings." 2006. http://www.nurse-familypartnership.org/assets/PDF/Research-Inquiries/DavidOldsinterview1-24-06

27. *The Case for Home Visiting: Strong Families Start with a Solid Foundation.* Pew Foundation. 2010. http://www.wvdhhr.org/wvhomevisitation/early_childhood/case_home_visiting.pdf; Olds, D. L., Jr., C.R. Henderson, R. Chamberlin, and R. Tatelbaum. 1986. "Preventing Child Abuse and Neglect: A Randomized Trial of Nurse Home Visitation." *Pediatrics* 78, pp. 65–78.

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36. This guarantee can cover families for a long time. That is, families remain in Stage 3 (and have thus historically been provided subsidies) until either (a) their income exceeds 70 percent of the state median income, or (b) their child ages out of the program. This continuing subsidy is funded out of a concern that, without it, the parents may lose employment and return to deep poverty.

37. For a family of three, this amounts to a cap of $42,216.

38. This rationing of non-CalWORKs subsidies is based on income. Because families with low income are prioritized, the bulk of the unmet demand is borne by families at the higher end of the income threshold.

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