

THE NEW CHALLENGES
OF
POVERTY IN AMERICA

PRESENTED TO THE
GREATER WASHINGTON RESEARCH CENTER'S
SPRING LUNCHEON FORUM

REMARKS BY
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THE SHERATON CARLTON HOTEL
WASHINGTON, D.C.
JUNE 17, 1986

Yesterday, I had the opportunity to address the U.S. Conference of Mayors at their annual meeting.

Being a mayor is a tough job these days, but mayors have at least one advantage over their chief executive colleagues in the private sector. They don't have to worry about whether Carl Icahn, T. Boone Pickens or Ivan Boesky is about to buy them out

On the other hand, mayors have to deal with one problem to which the rest of us are not paying enough attention. That problem is poverty, and that is the subject I would like to discuss with you this afternoon.

Twenty years ago, when the programs of the Great Society were launched, the issue of poverty was on everyone's mind. Today, however, our government seems to have lost sight of America's poor people.

There is no question some mistakes and flaws existed in the design and implementation of the Great Society and the War on Poverty. But let's also remember that the Great Society produced more than its share of successful programs.

There was Head Start, the Job Corps, Neighborhood Health Centers, Legal Services, federal education aid to disadvantaged children. In addition, a cadre of leaders and advocates of the rights of the poor grew out of our experience with the Community Action program.

Those were also the years when this country passed the Civil Rights Act of 1964 and the Voting Rights Act of 1965. Both laws were controversial, but they produced fundamental and long overdue gains in this country. I hate to think of where we would be **without them**.

But what stands out the most from those years is the fact that it was a time of vision for this country. It was a time when this nation cared about what kind of society we were and what kind of society we would become. It was a time when we debated, in a positive sense, the values we wanted to represent as a society, when we could argue -- with stunning simplicity and accuracy -- that it was just plain wrong for children to grow up in poverty. Period.

The America of 1986, by contrast, is a country that on the whole seems pretty well satisfied with itself. Most of us are in good financial shape. Many of us have more luxuries and leisure time than we ever expected to have. And we want to protect and maintain all that we have accumulated.

In one sense, there is nothing wrong with that. After many years of turmoil and change -- both domestic and international -- Americans chose to turn inward for a time.

But we now need to rediscover the social vision we had in the past. We need to redevelop a consensus based on compassion for others, that looks beyond our personal well-being to the well-being of the larger community and those who are caught in the grip of poverty.

I believe we can, reawaken that sense of caring and compassion. But we cannot translate compassion into results without dealing more realistically and more directly with poverty; not by trying to recreate the Great Society but by developing policies and programs that are appropriate for the Eighties and Nineties.

I would recommend the following:

First, build on those programs that already are proven successes but which have not been fully utilized.

Second, target our efforts toward two populations whose needs are immediate and where clear policy choices are available to us: the working poor and children.

Some proven successes that immediately come to mind are Head Start, the Job Corps and the WIC program.

Head Start was one of the most successful initiatives of the War on Poverty. The program is now widely accepted, and one of its earliest prototypes, the Perry Preschool Program in Ypsilanti, Michigan, produced extremely impressive data comparing the lives of participants and nonparticipants over a 20-year period.

Yet despite such evidence as lower unemployment rates, lower incidence of welfare, lower divorce rates, lower incarceration rates, lower alcoholism rates and higher educational attainment, the Head Start program has barely held its own during the Reagan years. At least two million children are eligible for Head Start, but only 400,000 children -- or 18 percent of the eligible population -- are enrolled.

The Job Corps is another success story. It had some trouble during the early years, but it gradually developed ongoing placement ties with employers that helped put it on a strong footing. The Job Corps is an expensive program. That's probably why it remains so small, never serving much more than 100,000 youth in any one year. But there's a reason it's expensive. We're making up for decades of neglect.

Another successful program is the Special Supplemental Food Program for Women, Infants and Children -- the WIC program. Although it is our most cost-effective nutrition program, the WIC program serves less than one-half the women and children eligible for its benefits. The pressure generated by the Gramm-Rudman-Hollings Balanced Budget Act may result in an even smaller program in the years ahead.

Programs like Head Start, Job Corps and WIC don't need to be cut. They need to be expanded.

Now to my second point.

Much of the new knowledge we have gained about poverty during the last ten years centers around the impact overall economic conditions have -- and do not have -- on peoples' lives. And much of that information is contradictory.

We know, for example, that the largest determinants of poverty are the health of the economy and the particular combinations of fiscal, monetary and trade policies we adopt. But they are not the only determinants. And conventional wisdom notwithstanding, we find increasing numbers of people who are not affected by macroeconomic growth and who do not share in any prosperity that occurs in its wake.

Too many working poor and too many children fall into this category.

For the past several years, the leadership of both political parties in this country has proclaimed the importance of the work ethic and of preserving family life. These are the values all of us say we cherish and want to encourage.

The working poor try very hard to maintain these values. The odds, however, are stacked against them.

The majority of the working poor work at jobs at the low end of the wage scale. Their already low wages are falling even further behind wages in general. Many cannot find full-time work and must settle for part-time work. Even full-time workers paid at the minimum wage don't escape poverty. In fact, the income of a four-person family in which the breadwinner works full-time at a minimum wage job is \$4,400 a year below the poverty line.

There also are an increasing number of people losing their jobs for structural reasons as our economy shifts from manufacturing to services, from blue collar to white collar. Other jobs are lost because of unpredictable economic changes, such as fluctuating oil prices, which suddenly leave sectors or regions vulnerable to unemployment or underemployment.

When everything is added up, we find that the number of working poor in this country has increased more than 60 percent in the last eight years and now totals more than seven million people.

Paradoxically, these are the very people we have been penalizing the most. The bulk of cuts in means-tested federal assistance programs has hit hardest at families in the \$5,000 to \$12,000 a year income range, precisely the income range in which the working

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poor are found. The hardest hit were the 440,000 low-income working families dropped from the AFDC program as a result of the 1981 budget cuts. And because Medicaid generally is linked to AFDC eligibility, many of these people lost the only medical coverage they had.

One sign of meaningful help lies in tax reform legislation passed in the House and pending in the Senate. By removing millions of low-income people from the income tax rolls, tax reform offers us the best chance in at least a decade to provide significant assistance to people trying to work their way out of poverty.

The central issue involving children was stated in its most stark and dramatic terms by Senator Daniel Patrick Moynihan of New York. The United States, he pointed out, may be in the process of becoming the first society in history where children are much worse off than adults. "It is time we realized," Senator Moynihan said, "that we have a problem of significant social change unlike anything we have experienced in the past. And we are completely ignoring it".

Once again, the record of the last few years does not bode well for the future of young people trapped in poverty, particularly blacks and Hispanics. The unemployment crisis among black men already is one of overwhelming proportions. Only 54 percent of black males of working age are working, compared with 78 percent of white men. It's much worse for black teenagers. Fewer than three of ten has a job. Fewer than one of ten has a full-time job.

We say that school, education and training are the answers. But our basic program for supporting public elementary schools with high concentrations of poverty -- the Title I program -- is in danger of being dismantled by an Administration that proposes to replace it with a system of vouchers that supposedly will allow the poor to attend private schools.

We know that young people without a sound educational background will be at a major disadvantage in competing for the highly technical jobs of tomorrow. But where are the programs with strong and defined links between education and employment that can hold out hope that the children of poverty will not fall even further down the economic ladder in the years ahead?

The problem isn't a shortage of programs or ideas about how to improve the position of the working poor or how to provide better lives for children.

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For the working poor, we could improve the Earned Income Tax Credit, raise the minimum wage, provide better day care and health insurance programs, expand Title I to include many more secondary schools, and develop programs that upgrade work skills to meet future job requirements.

Both the House and Senate tax reform bills, for example, are steps in the right direction. They would enlarge the maximum Earned Income Tax Credit from \$550 to \$700. But the program needs to be expanded, principally by adjusting it for family size so that benefits increase in accordance with the number of children in a family.

On a more long-range basis, we could develop programs that systematically project the jobs that will exist during the next decade and help strengthen the capability of our education and training systems to meet these future job requirements. One such model is Jobs for Connecticut's Future, a public-private partnership that already has drawn the attention of several other states. The model also can be applied to urban areas.

As far as children are concerned, programs such as Head Start, Job Corps and WIC provide us with building blocks for a basic foundation. Measures that could build upon that foundation include minimum benefit levels for public assistance and a more tangible and meaningful focus on education and employment as a way of breaking the cycle of poverty.

National minimum benefit levels tied to inflation would provide a financial floor for children whose parents either cannot find work or can find only limited work, or who may not be reached by other programs of assistance. We already do this for the elderly in the Social Security program. Why not for mothers and children in the Aid to Families with Dependent Children Program?

This country traditionally has looked upon education as the avenue of opportunity for young people.

Today's demographic data, however, shows that the children coming into our school systems are increasingly poorer, more ethnically and linguistically diverse, and that they also have more handicaps that affect their learning. These factors, when combined with the dramatic changes that are occurring in family structure, mean that the public schools play a more comprehensive and critical role in shaping our society than at any time in the past half-century.

Since we also are entering a period of a labor mismatch in which there are jobs that cannot be filled, and people who cannot find jobs, this might be the appropriate time for a major new initiative, involving both government and business, that establishes a more direct and more meaningful link between education and employment.

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If we could provide, even in a few selected inner-city school districts, a truly first-class system of education and an equally satisfactory set of job opportunities, we might go a long way toward proving, both to ourselves and to young people who see no way out of poverty, that the cycle of poverty can indeed be broken.

As I said, finding ideas and strategies to help us reach these goals is no problem. Our problem lies elsewhere. Despite all our pronouncements, we have failed to fully fund Head Start; have dropped low-income families and children from food programs; and reduced the budgets of federal programs that aid our public schools.

That raises some very tough questions that we as a society must answer.

Is a country that is not committed to full funding for Head Start ready to make a major commitment to improve the educational and employment opportunities available to the poor?

Is a country that places limits on the number of poor women and children who receive the benefits of food and nutrition programs capable of demonstrating to future generations that the cycle of poverty can be broken?

There are many people in this country who say they are willing to make that kind of a commitment -- but only after we reduce the Federal deficit and balance the budget.

I am a businessman who was trained as an economist. I know the dangers of deficit spending. I know how important it is to sustain long-term, non-inflationary economic growth and redress our trade imbalance. I also know that this country cannot afford to **put off renewing its commitment to the poor until we put** our macroeconomic house in order.

Intellectually, it may make sense to get the "big picture" in order before we tackle the poverty issue once again. But only those of us who are well fed, well housed, well dressed and blessed with a wide-range of opportunity can afford that choice.

For the past few years, we have seen a poverty rate that has been almost impervious both to economic growth and to employment. There are some year-to-year shifts in the poverty level, but when today's data is compared with data from ten years ago, we find a substantially larger group of people who are relatively unaffected by economic performance. In other words, the basic bedrock of poverty has increased. We have reached a new plateau of poverty, and instead of being lower, it is higher.

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If this continues, we run the risk of becoming a society with a permanent and growing underclass, a society in which increasing numbers of people have no role and with which they feel no identity or connection, a society in which it will be increasingly difficult for democratic institutions and processes to function effectively.

In my opinion, that's the issue that should be our number one priority in this country.

Several weeks ago, some five million people participated in Hands Across America. The event has drawn its share of criticism. But Hands Across America may prove to be the event that reminded us that concern and compassion were alive and well in this country, and that this nation needs again to give political expression to its more generous impulses.

If this is to happen, however, we will need to reaffirm the role of government in helping the poor and the dispossessed. We will need to put aside, once and for all, the notion that poverty, hunger and homelessness are problems for everyone but government. We will need to make clear once again to the American people that government is the one social institution in this country that is best able to help the poor and the dispossessed. Our effort cannot be limited to government, but it cannot succeed without government.

The business community, however, still has to answer two important questions: what can we do about poverty and why should we be involved.

The traditional business response during the past several years has been to develop public-private partnerships.

Partnership programs have provided the business community with a much needed window on the world outside our own doorsteps.

But when you look at the constellation of complex domestic problems this nation must address - poverty, hunger, homelessness, unemployment, public education - I think we have to agree that public-private partnerships will prove to be an inadequate vehicle upon which to depend. Public-private partnerships can help us find some innovative solutions to certain aspects of those problems. By drawing attention to problems, they can help us set the agenda. But they cannot by themselves solve major social problems, and we must not act as if they can.

I don't want to minimize the contributions that hundreds - indeed, thousands - of successful partnerships have made to the resolution of local problems. Rather, I want us - the members of the civic and business communities - to realize that even in their aggregate these successful partnerships cannot eliminate or even substantially reduce the problem areas upon which they are focused.

C1⁴) I want to see partnership programs grow and flourish. But most of all, I would like to see the business community move beyond individual partnership programs and become active advocates on behalf of some of the broad social initiatives discussed today.

This means more than telling our corporate lobbyists to put in a good word for domestic social programs every now and then. It means more than sending an executive on a symbolic goodwill visit to Capitol Hill or asking an executive to testify at a public hearing.

It means organizing ourselves into a vigorous, active political force so that we can have a positive impact on helping this country complete its unfinished social agenda and develop the strategies and programs to implement that agenda.

It means supporting candidates for elective office who share our views about the need to move this agenda forward. It means forming broad-based coalitions with other groups and organizations to work on their **of CThrrrlrjirr°■IMM** ----- 41101.1

When corporations first began forming public-private partnerships, many of us said we did not become involved in domestic issues to let government off the hook.. We said we did not want government using our involvement as an excuse to ignore its own responsibility. We said we did not want our programs to become a screen of voluntarism behind which an entire generation would be denied basic opportunity and justice.

The time has come to make good on that promise.

But why should we? What's in it for business?

Everyone needs to form their own answers to these questions. Let me give you mine.

In today's society, with its demand for short-term payoffs, there is a powerful temptation for a corporation or any other organization to shut its eyes to any event, situation or person which does not relate to the immediate business at hand.

But America is an interdependent society, not just a pluralistic society. And an interdependent society, no matter how strong or secure it feels at a specific moment, cannot prosper if its institutions and people lose sight of each other, if they live and work apart from one another, if they fail to see the common goals they share both as a people and as a nation.

Whether we want to accept it or not, the business community has a significant long-term stake in how this nation responds to its domestic social problems. In fact, I submit that our nation's

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long-term success depends not so much upon the business decisions we make today or tomorrow, but on the social policy we develop during the next decade.

In fact, of all the data we have collected about poverty, the data that disturbs me the most, and with which I would like to conclude my remarks, is this:

One of every four children under the age of six in this country lives in poverty. In other words, one of every four children grows up deprived during the most critical developmental period in their lives.

These are the years when the basic foundation is developed for all the physical, intellectual and emotional growth that will occur in later years. If a child does not grow as tall as he or she might have under better conditions, we cannot give back to that child the height that was lost. We cannot give back the brain cells that failed to develop because of inadequate nutrition. We cannot give back the emotional sustenance they missed or the sense of personal worth they should have received. Whatever is lost during these years is lost forever. It cannot be replaced.

The question we have to ask ourselves as individuals and as representatives of some very large and powerful organizations is this: do we want that one in four ratio to be worse in the next generation -- or do we want it to be better.

Thank you.

