

Creating an Opportunity Society

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Brookings Institution
October 27, 2009



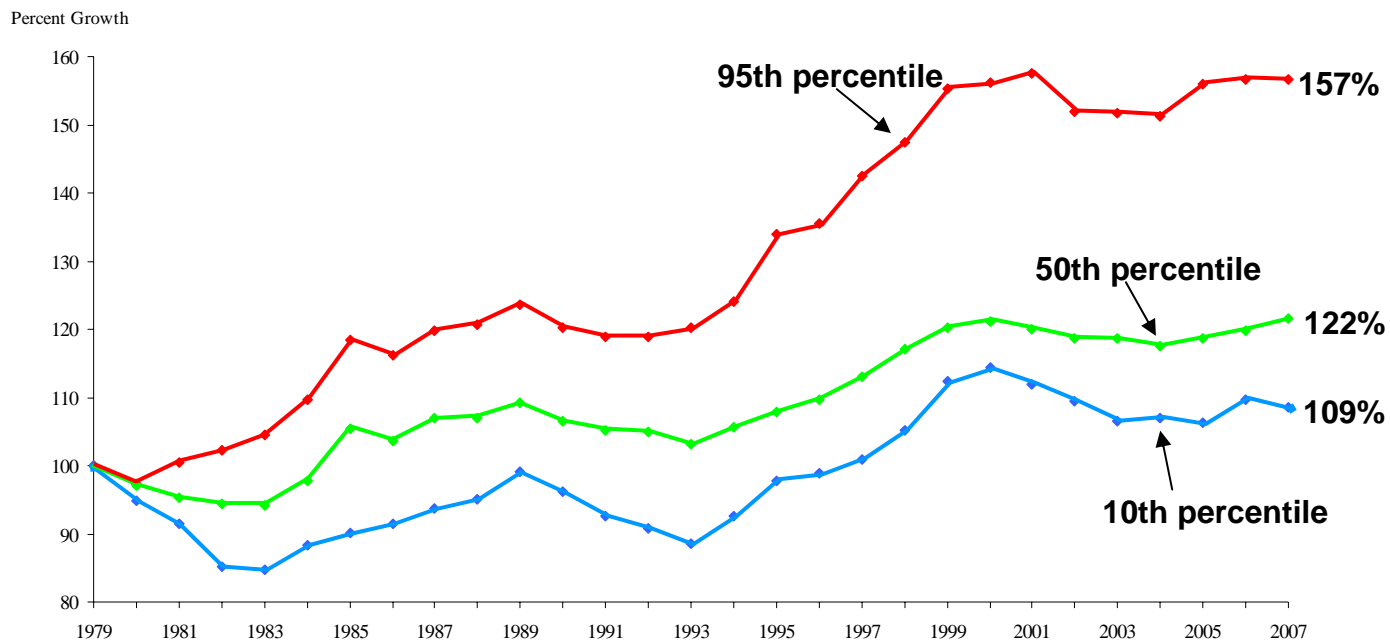
Our Vision



- Everyone should have a shot at the American Dream
 - Issue not just poverty and inequality but also opportunity to get ahead
 - More public support for equal opportunity than for equal results
 - People's fortunes change over the life course
 - But poverty and inequality are also concerns

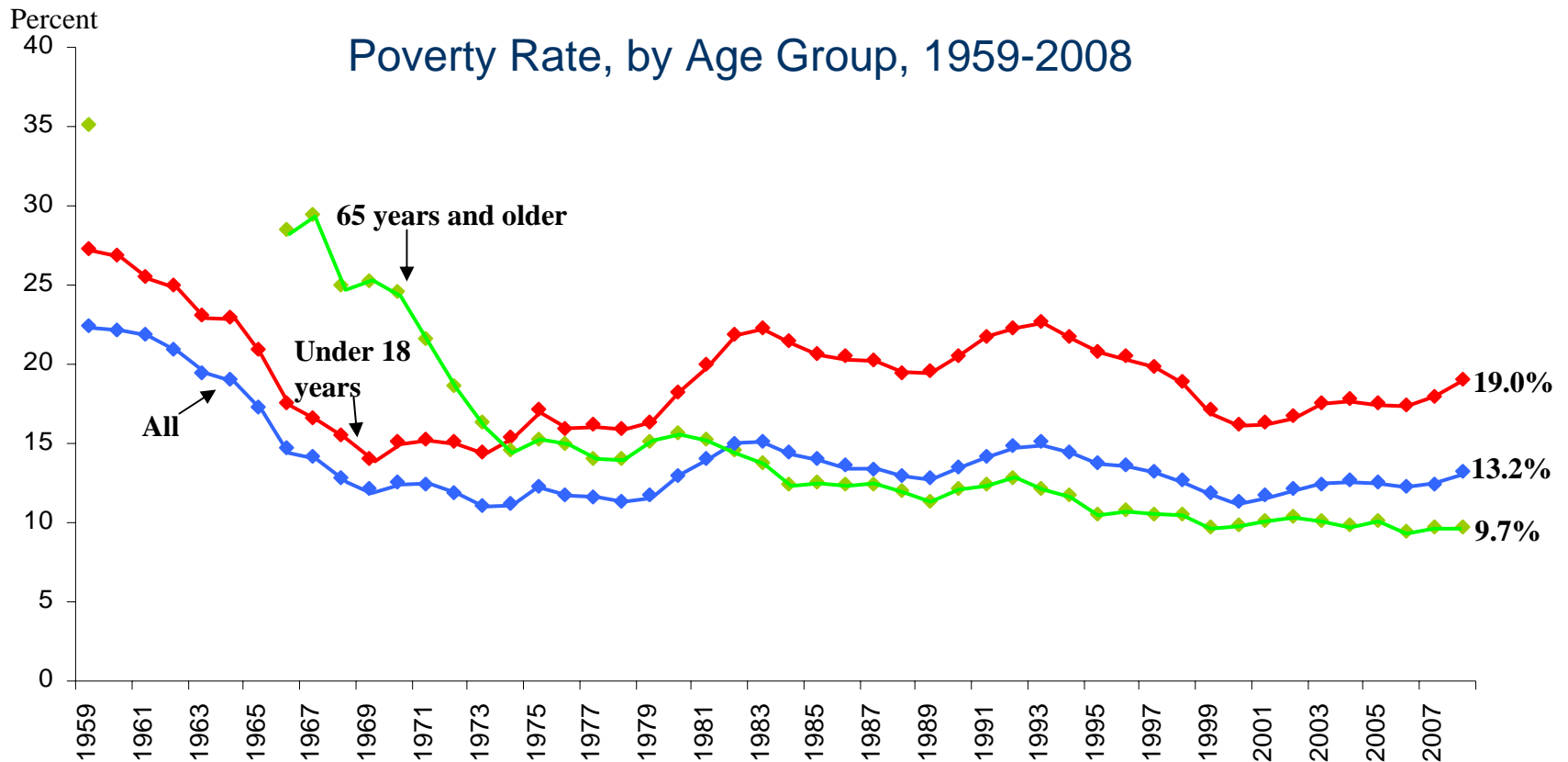
Growing Levels of Income Inequality

Household Income Growth, by Income Percentiles, 1979-2007



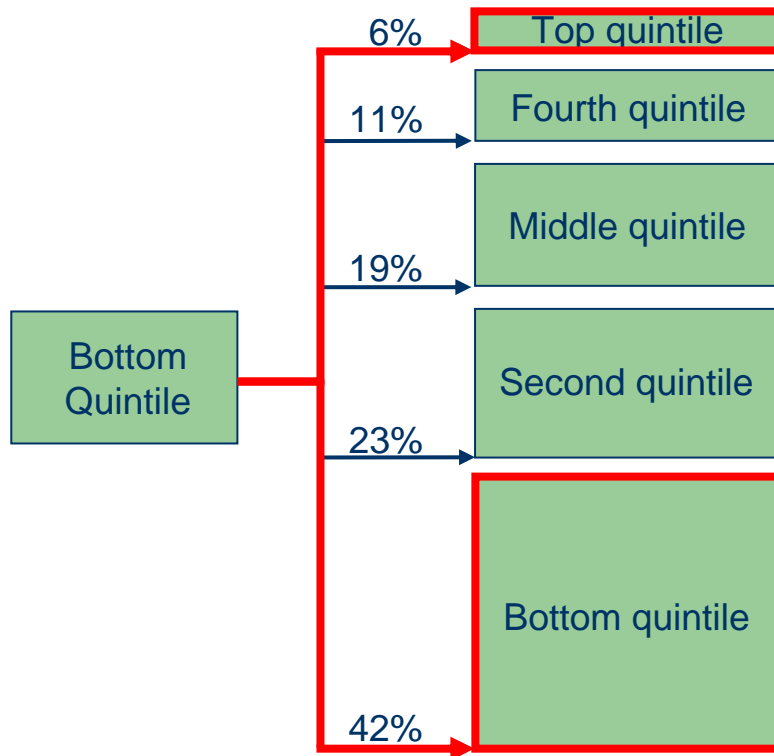
Source: Authors' calculations based on the U.S. Census Bureau, Annual Social and Economic Supplement to the Current Population Survey.
a. Income is adjusted for household size using the square root equivalence scale (household income divided by the square root of the number of people in the household).

Little Progress in Reducing Poverty



Source: U.S. Census Bureau, Historical Poverty Tables, various years, tables 2 and 3.
 a. Poverty rates for adults and the elderly not available for 1960 through 1966.

Family Background Matters



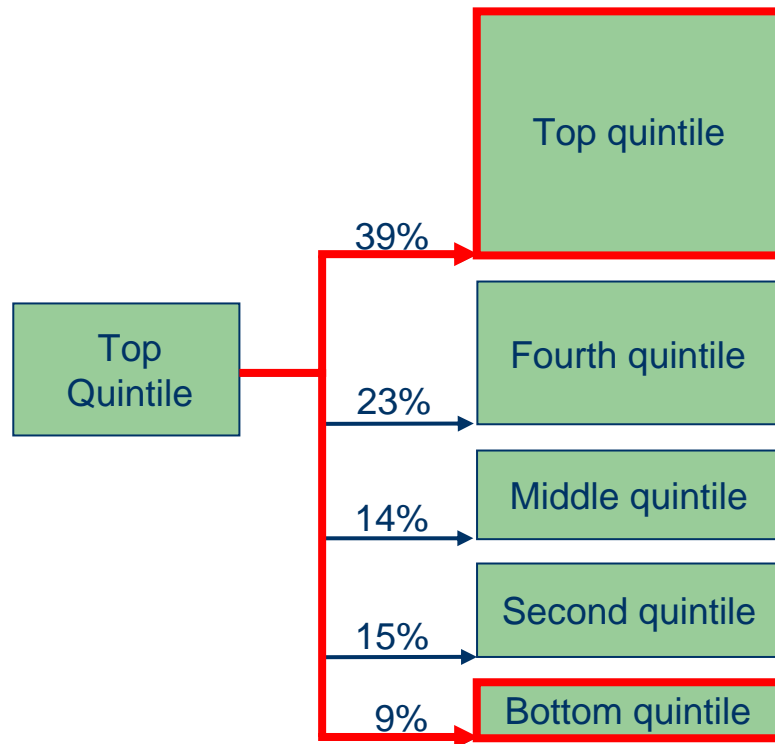
On the other hand, only 6 percent of those born into a family in the bottom quintile climb to the top quintile as adults.

42 percent of those born into a family in the bottom quintile remain in this quintile as adults.

Source: Julia B. Isaacs, Isabel V. Sawhill, and Ron Haskins. *Getting Ahead or Losing Ground: Economic Mobility in America* (The Brookings Institution and The Pew Economic Mobility Project, 2008), figure 4 p 19.

a. Family incomes are five-year averages from the Panel Study of Income Dynamics for 1967-1971, when parents were 41-years-old on average, and again in 1995-2002 when their adult children were 39-years-old on average.

Family Background Matters



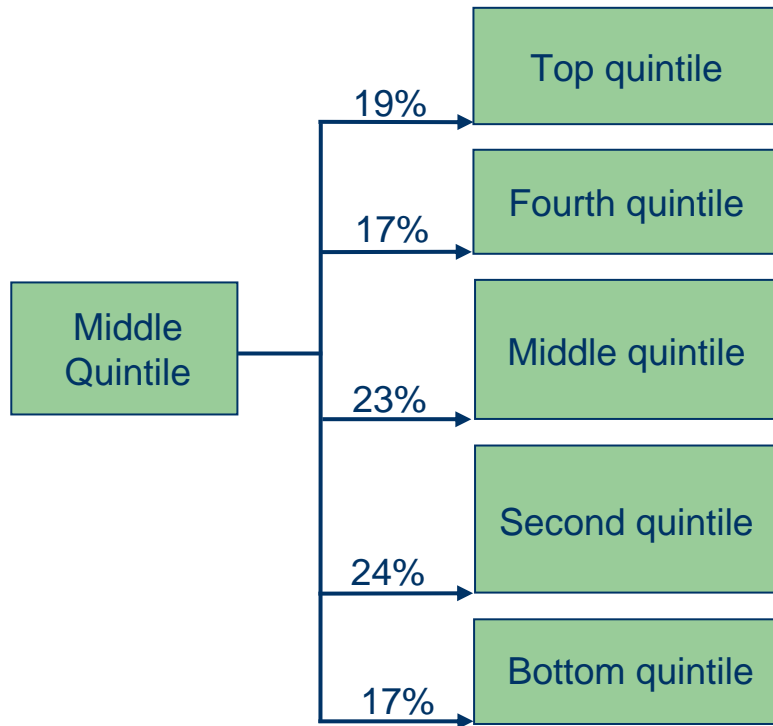
Of those born into a family in the top quintile, 39 percent remain in the top quintile as adults.

Only 9 percent of those born into a family in the top quintile fall to the bottom quintile as adults.

Source: Julia B. Isaacs, Isabel V. Sawhill, and Ron Haskins. *Getting Ahead or Losing Ground: Economic Mobility in America* (The Brookings Institution and The Pew Economic Mobility Project, 2008), figure 4 p 19.

a. Family incomes are five-year averages from the Panel Study of Income Dynamics for 1967-1971, when parents were 41-years-old on average, and again in 1995-2002 when their adult children were 39-years-old on average.

Family Background Matters



There is considerable intergenerational economic mobility for those who start in the middle.

Source: Julia B. Isaacs, Isabel V. Sawhill, and Ron Haskins. *Getting Ahead or Losing Ground: Economic Mobility in America* (The Brookings Institution and The Pew Economic Mobility Project, 2008), figure 4 p 19.

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Substantial Individual Mobility over the Life Course



Quintile-to-Quintile Transitions

Years	Overall Mobility Rate	Mobility Rate out of Bottom Quintile
1967-1976	61%	44%
1977-1986	61%	47%
1984-1994	60%	47%
1994-2004	61%	45%

Sources: Isabel V. Sawhill and Mark Condon, "Is U.S. Income Inequality Really Growing? Sorting out the Fairness Question," Policy Bites 13 (Urban Institute, 1992); Gregory Acs and Seth Zimmerman, "Like Watching Grass Grow? Assessing Changes in U.S. Intragenerational Economic Mobility over the Past Two Decades," (The Urban Institute and the Pew Economic Mobility Project, 2008), Table 1 p 22.

Less Opportunity in the U.S. Relative to Other Countries



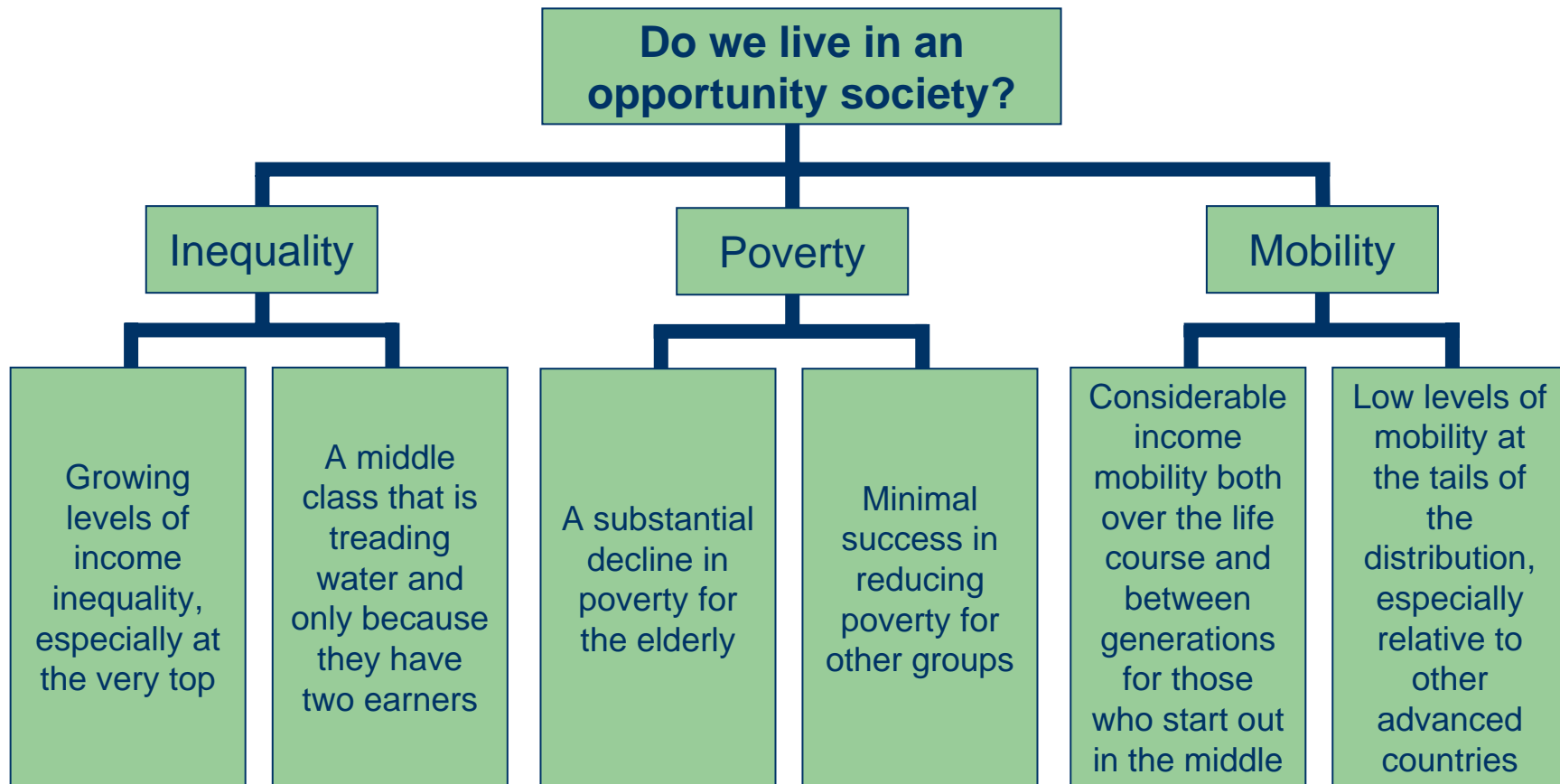
Percentage of Men with Fathers in the Bottom Fifth of the Earning Distribution that Remained in the Bottom Fifth, by Country



The prospects of upward mobility for those at the bottom is worse in the United States compared to some other advanced industrialized countries.

Source: Markus Jantti and others, "American Exceptionalism in a New Light: A Comparison on Intergenerational Earnings Mobility in the Nordic Countries, the United Kingdom, and the United States," Discussion Paper 1938 (Bonn: IZA, 2006), table 4, p. 18, and table 12, p. 33.
a. Sons were born around 1958, and earnings of both fathers and sons were observed near age forty. Sons' earnings are generally measured between 1992 and 2002.

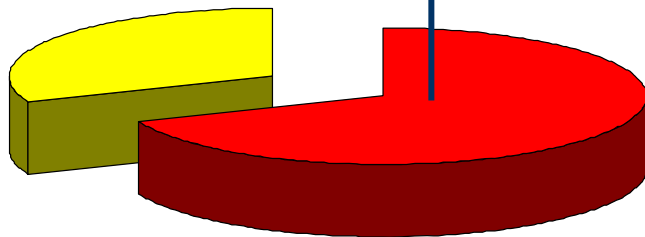
Summary of the Findings



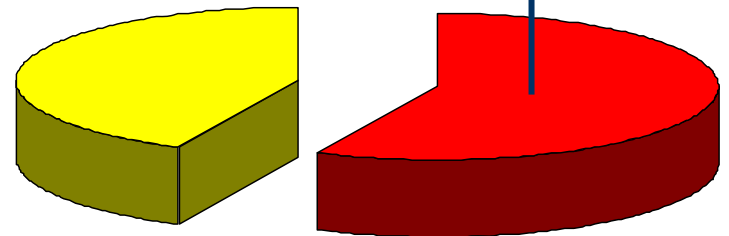
What the Public Thinks



In 2007, 69 percent of people agreed that the government needs to “take care of people who can’t take care of themselves.”



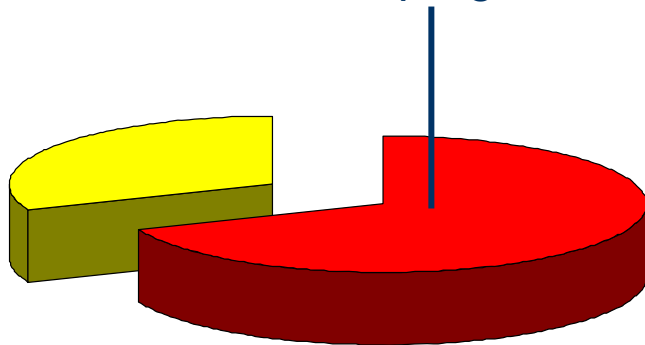
In 1994, only 57 percent agreed with this statement.



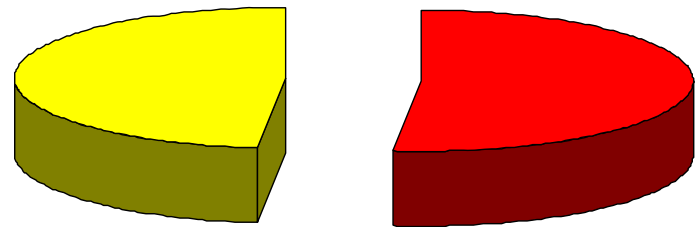
What the Public Thinks



In 2007, 69 percent of people agreed that “poor people have become too dependent on government assistance programs.”



Based on a 2001 poll, people are about evenly divided in ranking lack of personal effort or outside circumstances as the bigger cause of poverty.



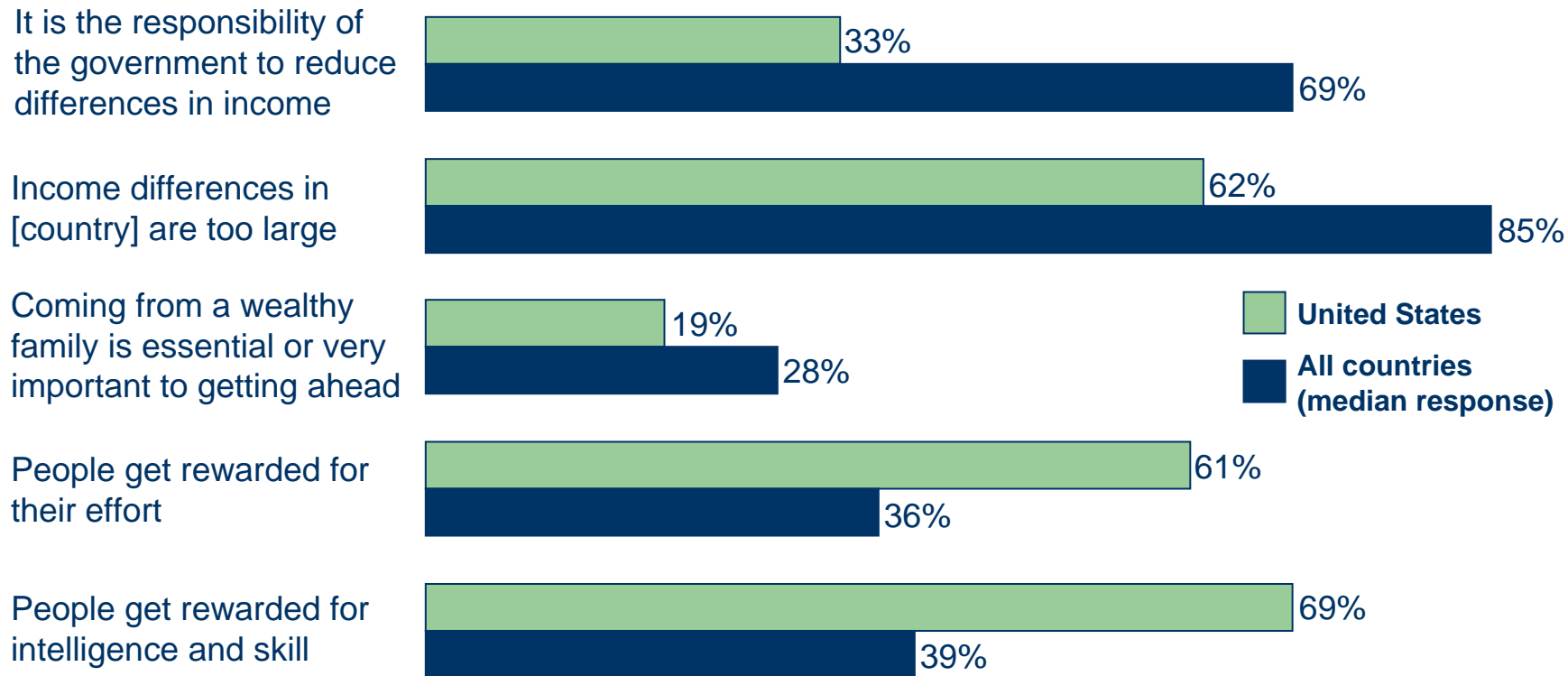
Source: Pew Research Center for the People and the Press, “Trends in Political Values and Core Attitudes: 1987-2007” (Washington: 2007).

Source: National Public Radio, Kaiser Family Foundation, and Harvard University, “Poverty in America,” 2001.

What the Public Thinks



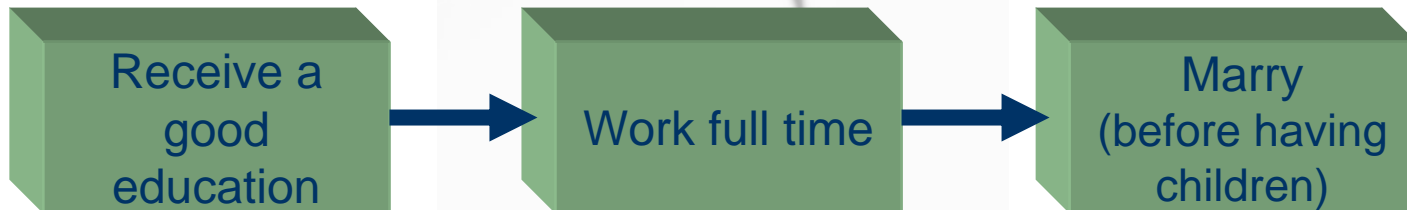
Mobility and Inequality in Twenty-Seven Countries, 1999



Source: Julia B. Isaacs, Isabel V. Sawhill, and Ron Haskins, *Getting Ahead or Losing Ground: Economic Mobility in America* (Brookings and Economic Mobility Project, an Initiative of the Pew Charitable Trusts, 2008), figure 1.

What Accounts for Success?

- Expert as well as public opinion diverges sharply on whether poverty is structural or behavioral; it's some of both
- Low wages and periods of temporarily high unemployment can constrain opportunity
- The immediate prerequisites to success are:



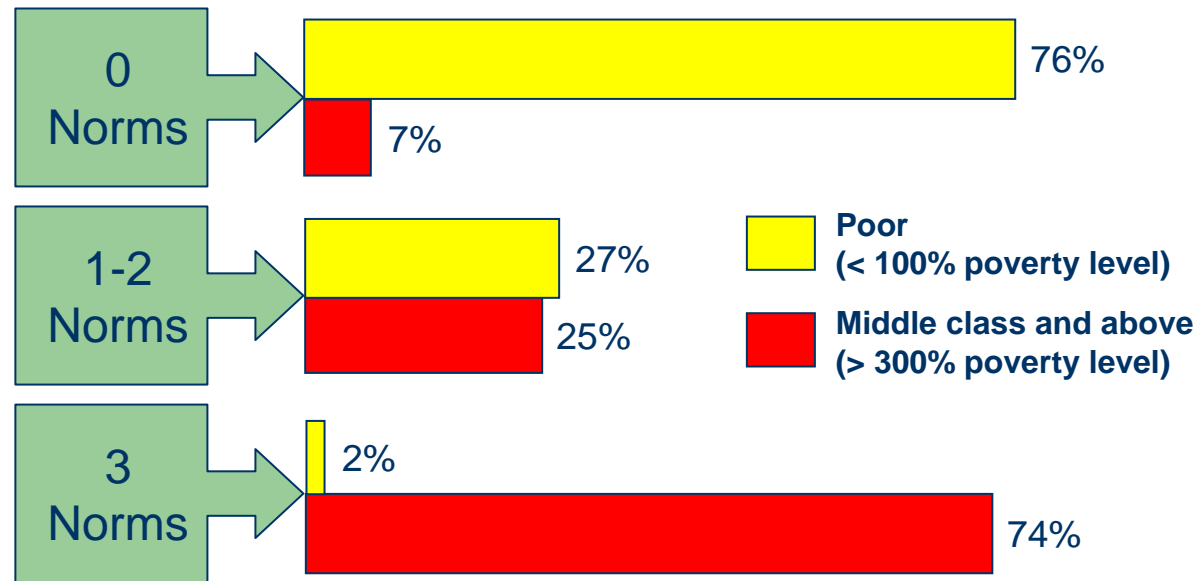
What Accounts for Success?



Income Class, by Adherence to Social Norms, 2007

The Three Norms

- Complete high school
- Work full time
- Wait until age 21 and marry before children



Source: Authors' calculations based on the U.S. Census Bureau, Annual Social and Economic Supplement to the Current Population Survey.

Launch a Three-Front War

- Improve education
- Expand work
- Strengthen families



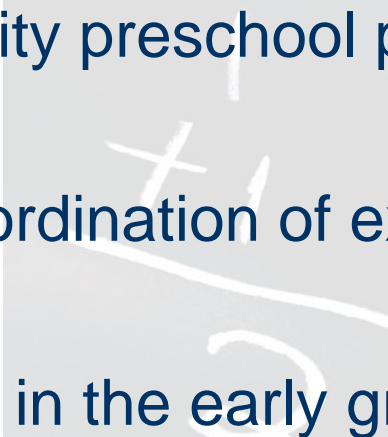
What guides our policy choices



- **Simplicity**
- **Paternalism**
- **Targeting the young and disadvantaged**
- **Evidence of impact (cost-benefit)**
- **Personal responsibility**
- **Consistency with public values**

The Education Agenda: Preschool

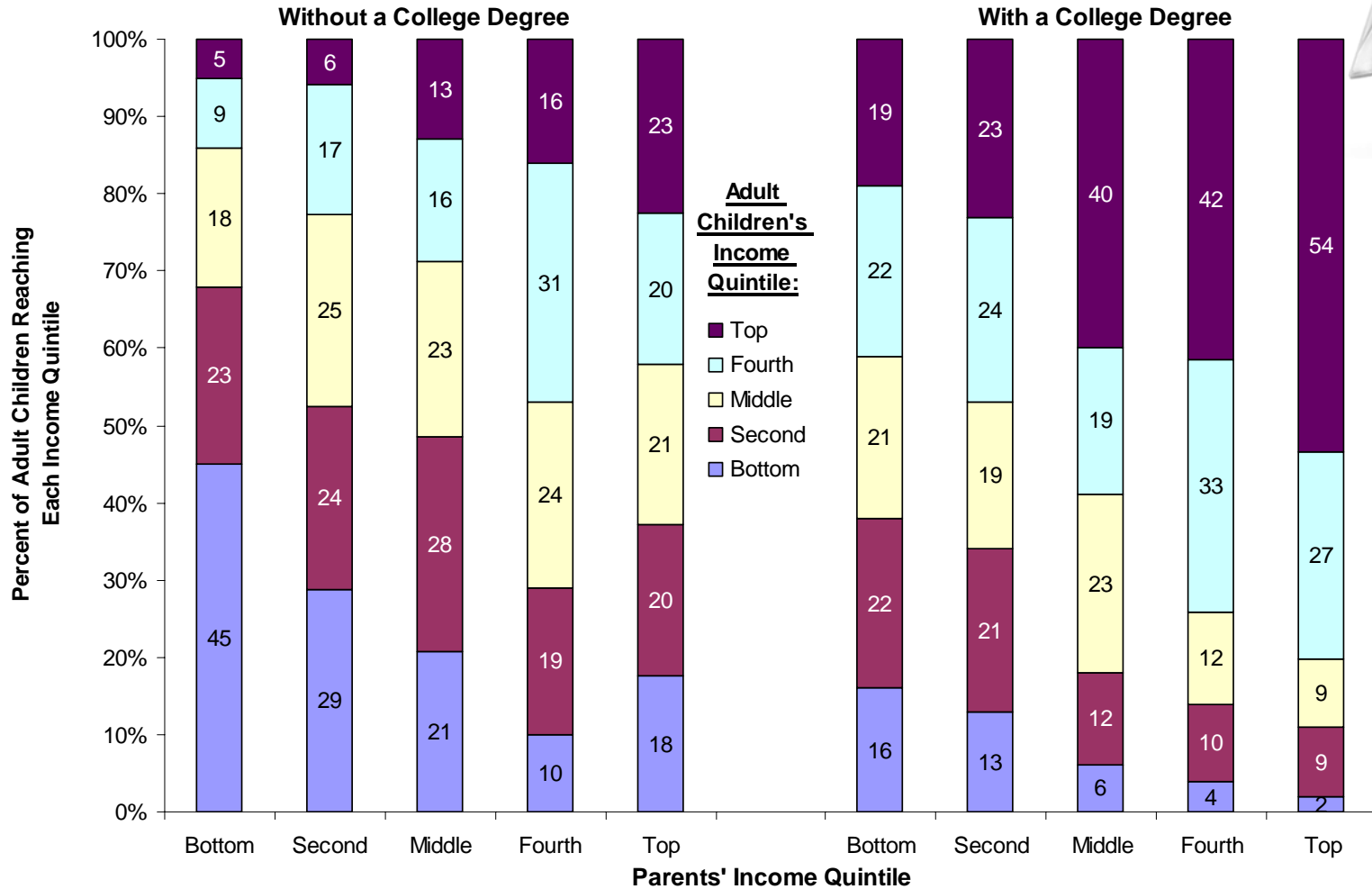


- High-quality preschool programs
 - Better coordination of existing programs
 - Follow up in the early grades
- 

The Education Agenda: K-12

- Impose national standards
- Funds for better teachers
- Fund and evaluate paternalistic schools
- Increase high quality research

Chances of Getting Ahead



Source: Brookings tabulations using data from the Panel Study of Income Dynamics; See Ron Haskins, "Education and Economic Mobility" in *Getting Ahead or Losing Ground: Economic Mobility in America*, edited by Julia Isaacs, Isabel Sawhill, and Ron Haskins (Washington, D.C.: Brookings-Pew Economic Mobility Project, 2008), p.91-104.

The Education Agenda: Postsecondary



- Better college academic preparation
- Improved financial aid system
- Improved campus support



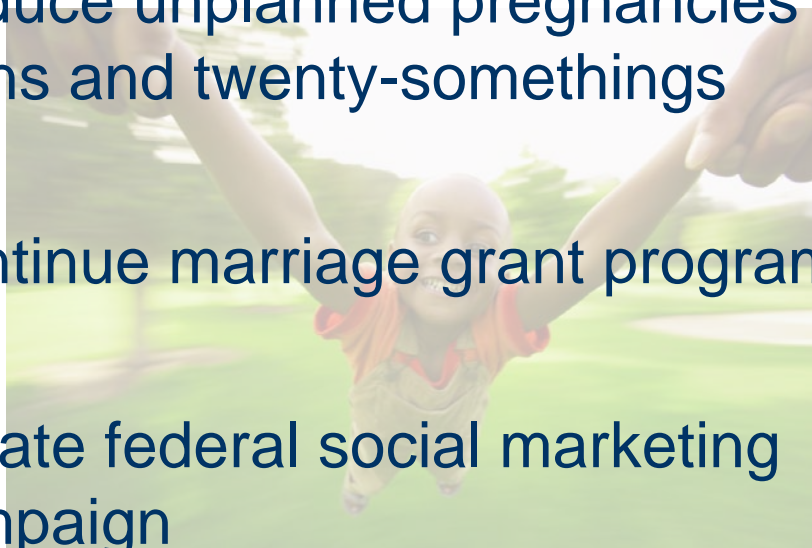
Supporting and Encouraging Work



- Expand work support system
- Encourage more work

Strengthening Families

- Reduce unplanned pregnancies for teens and twenty-somethings
- Continue marriage grant programs
- Create federal social marketing campaign



Paying for Our Proposals

- Reframe the budget debate
- Net cost: \$20.5 billion
- Finance Proposals
 - Fully tax social security
 - Change indexing of social security



Creating an Opportunity Society

By Ron Haskins and Isabel Sawhill



Visit www.opportunitysociety.org
for more information