

TEARING DOWN THE BARRIERS TO PROSPERITY

What Pennsylvanians
Say about Poverty
and Prosperity
across the
Commonwealth

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This report combines statistics, a survey of Pennsylvanians with income below 200 percent of the poverty line (\$53,000 for a family of four), and in-depth interviews to identify common barriers to prosperity. The findings provide a lens for discussing the lack of prosperity in Pennsylvania and point lawmakers to the barriers that public policies can address, namely the concentration of poverty, government taking too much from Pennsylvanians' paychecks, and rules or laws that make it difficult to work and care for loved ones.

KEY FINDINGS



More than half of low-income Pennsylvanians work.

Sixty-three percent of respondents were employed, self-employed, or unemployed and looking for work. Of the employed, 62 percent were employed full time.

- ▶ The most common reason for not holding or seeking a job is caring for a loved one or child (43 percent).

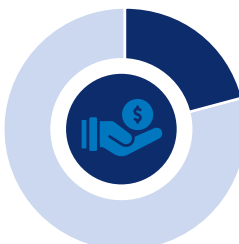


Respondents listed debt (46 percent) and taxes (29 percent) as the two most common barriers to financial security. The average respondent pays \$4,575 per year in taxes, about \$380 per month.



Poverty in Pennsylvania occurs in urban and rural settings. **In fact, four of the five counties with the highest poverty rates are rural.**

- ▶ Philadelphia has the highest concentration of poverty at nearly 23 percent, while in Forest County it is 19.6 percent. The statewide poverty rate is 12.1 percent.



Twenty-one percent of surveyed individuals **knew they were eligible for government programs yet chose not to enroll.**

Introduction

This report seeks to better understand the lived experience of Pennsylvanians with low incomes to eliminate inaccurate perceptions and point policymakers toward the issues that matter to Pennsylvanians experiencing poverty. In other words, this study is a lens for lawmakers to use as they explore specific policy solutions.

Poverty is not rare; it is an unfortunate reality that deserves our attention. Here in Pennsylvania, stagnant poverty rates and growing assistance programs indicate our current approach is not working. Pennsylvania has projected budget deficits starting in Fiscal Year (FY) 2023–24, driven largely by enrollment surges in its human service programs and continuing tick downs in labor force participation for healthy adults.¹ State policies are erecting more barriers to prosperity.

The following research makes the case that the best way to reduce poverty is to boost prosperity. Lawmakers should address the systematic and government barriers standing between residents and greater prosperity without delay.

Time is of the essence as Pennsylvania's population has begun to shrink and continues to age rapidly. By 2030, one in five Pennsylvanians will be a senior citizen, compared to 18 percent in 2019.² At the same time costs to care for our elderly population rise, it is more important than ever to create the economic conditions for plentiful, well-paying jobs.

Background

For most of human history, poverty was universal and common. The rapid economic growth of the past 500 years has been the largest and most effective elimination of poverty in human history.³ Global poverty alleviation efforts have met great success. A United Nations report found that the share of the population living in extreme poverty fell from 14 percent in 2010 to 6.6 percent in 2019.⁴

This is not to say that poverty is no longer an issue. The effects of the coronavirus disease 2019 (COVID-19) pandemic have reversed progress made toward reducing poverty, with global extreme poverty rising in 2020 for the first time since the late 1990s.⁵ Boosting prosperity remains a priority for governments and non-government stakeholders alike.

In the United States, however, the official poverty rate is static. Since the 1960s it has fluctuated between 15 and 10 percent despite the dramatic expansion of means-tested government assistance. It currently sits at 11.6 percent.⁶ The poverty rate in Pennsylvania is slightly higher at 12.1 percent (Figure 1). The official poverty rate has shortcomings in terms of identifying

1 Pennsylvania Independent Fiscal Office (IFO), "Pennsylvania Economic and Budget Outlook: Fiscal Years 2022–23 to 2027–28," (Harrisburg: IFO, November 15, 2022), 1, 32–34, http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Five_Year_Outlook_2022.pdf.

2 Alexis R. Santos and Raeven Faye Chandler, "Ambulatory and Cognition Challenges among Older Pennsylvanians," Pennsylvania State University: Population Research Institute, Pennsylvania Population Network (PPN) Issue Brief No. 12, February 2022, <https://pop.psu.edu/sites/pri/files/Ambulatory%20Care%281%29.pdf>.

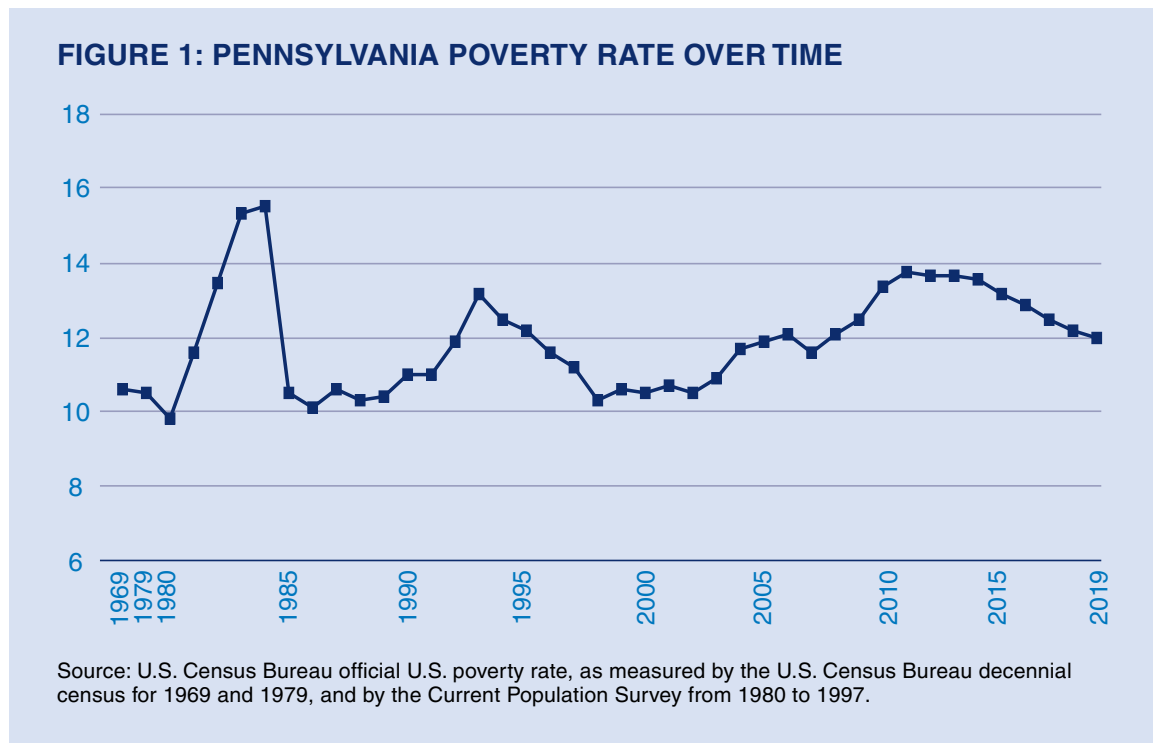
3 Michael D. Tanner, *The Inclusive Economy: How to Bring Wealth to America's Poor* (Washington, DC: Cato Institute, 2018).

4 UN Department of Economic and Social Affairs, "Sustainable Development Goals Overview 2021: End Poverty in All Its Forms Everywhere," United Nations, accessed December 22, 2022, <https://unstats.un.org/sdgs/report/2021/goal-01/>.

5 World Bank, "Global Progress in Reducing Extreme Poverty Grinds to a Halt," press release, October 5, 2022, <https://www.worldbank.org/en/news/press-release/2022/10/05/global-progress-in-reducing-extreme-poverty-grinds-to-a-halt>.

6 United States Census Bureau, "National in America Awareness Month," January 2023, <https://www.census.gov/newsroom/stories/poverty-awareness-month.html>.

actual living standards because it does not reflect government transfers.⁷ **However, it is clear Pennsylvanians are increasingly dependent on assistance programs, and this dependence indicates the presence of barriers to prosperity.**



WHERE POVERTY EXISTS IN PENNSYLVANIA

Understanding the demographics of poverty in Pennsylvania is vital context for understanding the barriers to prosperity. **Data from the 2021 American Community Survey shows poverty disproportionately affects the young, women, and black and brown people.** Those between the ages of 1 and 34 make up 41.7 percent of Pennsylvania’s population, but account for 53.5 percent of individuals with low income in the state. Women account for 50.8 percent of the state’s population, but 56 percent of the impoverished population. Black and Hispanic individuals account for 18.5 percent of Pennsylvania’s population, yet represent 36 percent of those making less than 200 percent of the federal poverty level.⁸

The index in Figure 2 represents the proportionality of various demographic characteristics for age, race, and gender within Pennsylvania’s low-income population. A score greater than one indicates “**overrepresented**” among the low-income population, while less than one means “**underrepresented**.”

7 United States Census Bureau, “American Community Survey, S1701, Poverty Status in the Past 12 Months,” 2021, <https://data.census.gov/cedsci/table?q=poverty%20in%20pennsylvania%202021&tid=ACST1Y2021.S1701>; John F. Early, “Reassessing the Facts About Inequality, Poverty and Income,” Cato Institute, April 24, 2018, <https://www.cato.org/policy-analysis/reassessing-facts-about-inequality-poverty-redistribution#>.

8 United States Census Bureau, “American Community Survey, S1701.”

FIGURE 2: GROUPS WHERE POVERTY IS OVERREPRESENTED

AGE	INDEX
Under 5	1.54
5–17 years	1.37
18–34 years	1.30
35–64 years	0.77
65+ years	0.66
RACE	INDEX
White alone	0.78
Black or African American alone	2.09
American Indian and Alaska Native alone	1.98
Asian alone	1.12
Native Hawaiian and Other Pacific Islander alone	1.97
Some other race alone	2.52
Two or more races	1.77
GENDER	INDEX
Male	0.91
Female	1.09

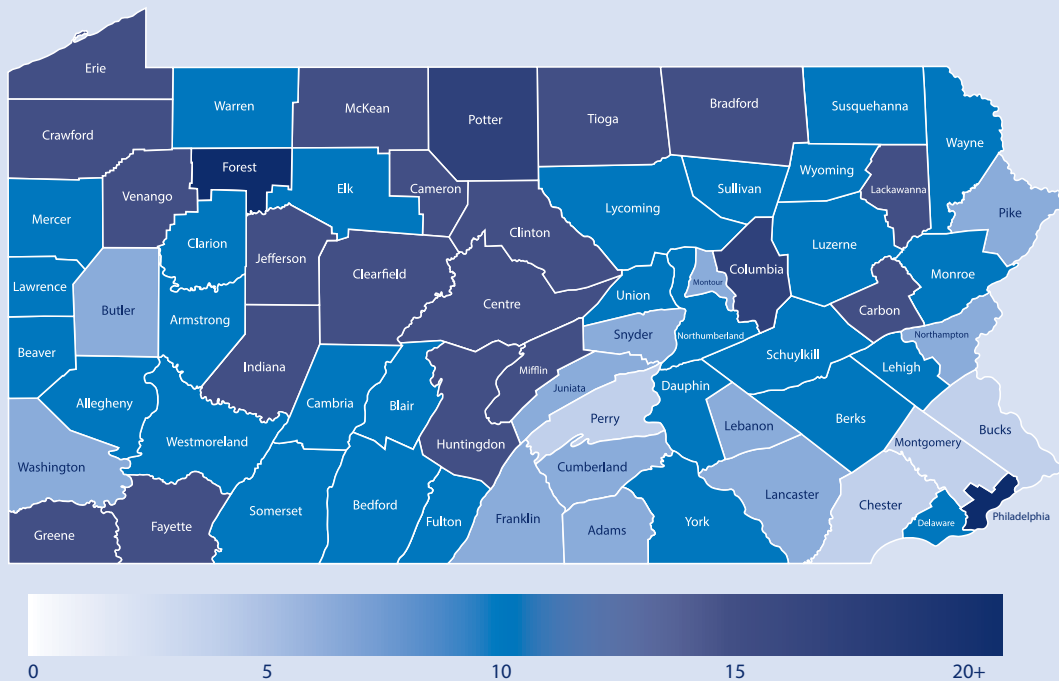
Source: United States Census Bureau, “American Community Survey, S1701” (Poverty in Pennsylvania 2021).

Poverty also concentrates within geographic areas in Pennsylvania (Figures 3.1 and 3.2). According to Small Area Income and Poverty Estimates from the United States Census Bureau, Philadelphia County, the most populous county in the state, has the highest poverty rate in the state at 22.3 percent. Forest County has the second-highest poverty rate at 19.6 percent. However, Forest County has a population of 7,032, which is equivalent to less than 1 percent of Philadelphia County’s population. Columbia, Potter, and Fayette counties have the next three highest poverty rates, at 16.2 percent, 16.1 percent, and 15.9 percent, respectively.⁹ **Four of the five counties with the highest poverty rates are considered rural counties.**¹⁰

⁹ United States Census Bureau, “SAIPE State and County Estimates for 2021,” December 2022, <https://www.census.gov/data/datasets/2021/demo/saipe/2021-state-and-county.html>.

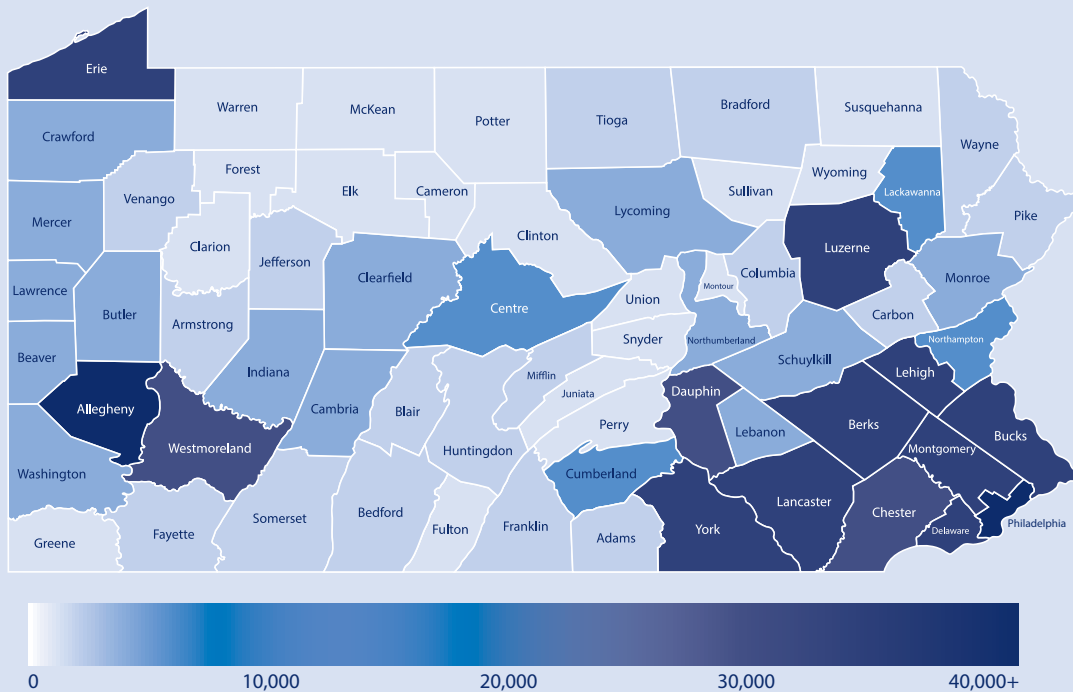
¹⁰ Center for Rural Pennsylvania, “Rural-Urban Maps, List of Counties,” accessed December 16, 2022, <https://www.rural.pa.gov/data/rural-urban-definitions>.

FIGURE 3.1: PENNSYLVANIA 2021 POVERTY RATES BY COUNTY



Source: United States Census Bureau, "SAIPE State and County Estimates for 2021" (Pennsylvania).

FIGURE 3.2 NUMBER OF PENNSYLVANIANS IN POVERTY BY COUNTY IN 2021



Source: United States Census Bureau, "SAIPE State and County Estimates for 2021" (Pennsylvania).

Barriers to Prosperity: The Data

Research finds economic growth is the best way to increase prosperity. The Cato Institute, in a 2006 paper published by the *Journal of Economic Perspectives*, found general economic growth was favorable to poverty alleviation. Moreover, their research saw that a lack of growth in median real wages severely limited poverty alleviation. The paper concluded that the generosity of government programs did not have a significant impact on the poverty rate.¹¹

At the individual level, most poverty alleviation efforts focus on avoiding poverty “traps.” The success sequence theory best exemplifies this. The theory states that graduating from high school, getting a full-time job, and waiting until after marriage to have children is the best way to avoid poverty. However, the theory has drawn criticism, noting that correlation is not the same as causation. Brent Orrell, in an analogy to a vacation, explains, “Telling people that they, too, can go to Paris when they lack a passport, a ticket, and a sense of how to get to the airport (or even why such a trip might be a nice thing) is more notable for what it leaves out than for what it teaches.” Furthermore, policies that seek to address these poverty “traps” have mixed results.¹² For example, federal housing assistance that focused on high-quality housing as the key to poverty alleviation, concentrated poverty in inner-city areas.¹³ This economic segregation caused significant damage to children. Parental support, educational opportunities, and social circles, crucial to future economic prosperity, all suffered in these economically disadvantaged areas.¹⁴

Earning disregards, like the Earned Income Tax Credit (EITC), are effective in lifting individuals out of poverty.¹⁵ The Center on Budget and Policy Priorities in 2001 estimated that the EITC program had lifted five million people out of poverty. The EITC and similar programs scale to income, which helps alleviate the detrimental impact of a benefits cliff. A benefits cliff occurs when the reduction of welfare benefits outpaces the increase in earnings, leading to a reduction in gross income even as an individual’s work hours increase. However, scaling benefits to income like the EITC does encourages employment. These programs have positive effects on the employment rate and income levels, making them effective tools in fighting poverty.¹⁶

FIVE KEY PREDICTORS OF POVERTY

Academic literature also provides insight on how individuals fall into poverty. But first, it is important to understand that poverty is a multidimensional experience.¹⁷ **While poverty is about material hardships, it is also about how individuals with material hardships interact with their peers, their surroundings, and institutions.** This report articulates five key predictors of poverty.

11 Hilary W. Hoynes, Marianne E. Page, and Ann Huff Stevens, “Poverty in America: Trends and Explanations,” *Journal of Economic Perspectives* 20, No. 1 (2006), 47–68, <https://doi.org/10.1257/089533006776526102>.

12 Brent Orrell, “Success is Not a Sequence,” American Enterprise Institute, January 8, 2019, <https://www.aei.org/education/k-12-schooling/success-is-not-a-sequence/>.

13 Michael H. Schill and Susan M. Wachter, “The Spatial Bias of Federal Housing Law and Policy: Concentrated Poverty in Urban America,” *University of Pennsylvania Law Review*, 143, No. 1285 [n.d.], https://scholarship.law.upenn.edu/cgi/viewcontent.cgi?article=3566&context=penn_law_review.

14 Robert D. Putnam, *Our Kids: The American Dream in Crisis* (New York: Simon & Schuster, 2016).

15 Nicholas Johnson, “A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001,” Center on Budget and Policy Priorities, December 2021, <https://files.eric.ed.gov/fulltext/ED462465.pdf>.

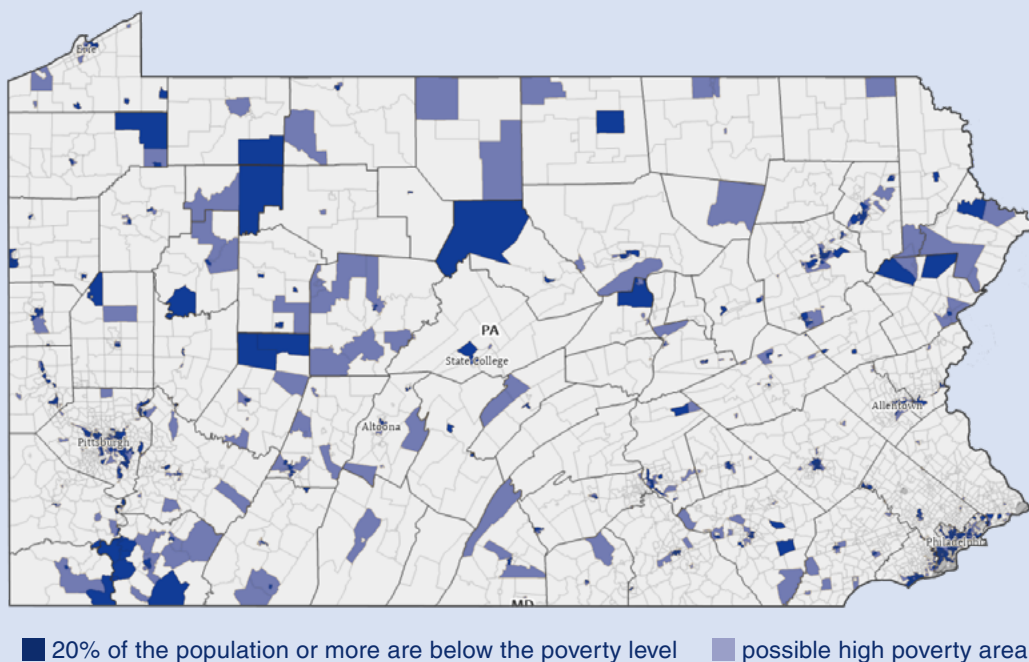
16 Rebecca M. Blank, David Card, and Philip K. Robins, “Financial Incentives for Increasing Work and Income among Low-Income Families,” University of California at Berkeley Department of Economics Working Paper E99-264, University of California at Berkeley, Berkeley, CA, 1999.

17 Matthew Desmond and Bruce Western, “Poverty in America: New Directions and Debates,” *Annual Review of Sociology*, 2018, No. 44 (May 11, 2018), 305–18, <https://static1.squarespace.com/static/5c8e74cd94d71a16ff94b536/t/5d256132d4e2de0001308800/1562730803405/Poverty+in+America+-+New+Directions+and+Debates.pdf>.

1. LIVING IN AN AREA WITH HIGH CONCENTRATIONS OF POVERTY

As briefly mentioned above, individuals living in areas with high concentrations of poverty have limited access to institutions, social circles, and resources needed to advance. Thus, living in such an area is a top predictor of poverty. However, being born in a high-poverty area does not determine whether a person will experience poverty for their entire life. Notably, research shows that personal factors such as goals, esteem, and ability can mitigate negative environmental influences associated with high-poverty areas.¹⁸ Figure 4 shows where poverty concentrates in Pennsylvania, highlighting neighborhoods where at least 20 percent of the population reports incomes below the poverty line.

FIGURE 4: CONCENTRATIONS OF POVERTY IN PENNSYLVANIA, 2015–19



Source: <https://mtgis-portal.geo.census.gov/arcgis/apps/webappviewer/index.html?id=31e10881bd1040b7b0ae685559917509>

2. LOW EDUCATIONAL ATTAINMENT

Influences such as neighborhood, satisfaction with public services, and parental education all have impacts on a child's educational attainment.¹⁹ Furthermore, these influences may also impact a parent's involvement in their child's education, which also impacts a child's

18 C. Andri Mizell, "Racial and Gender Variations in the Process Shaping Earnings' Potential: The Consequences of Potential: The Consequences of Poverty in Early Adulthood," *Journal of Sociology & Social Welfare* 27, No. 2, (June 2000), 113–38, <https://scholarworks.wmich.edu/cgi/viewcontent.cgi?article=2648&context=jssw&httpsredir=1&referer=>.

19 Ellen E. Pinderhughes, et al., "Parenting in Context: Impact of Neighborhood Poverty, Residential Stability, Public Services, Social Networks, and Danger on Parental Behaviors," *Journal of Marriage and Family* 63, No. 4 (March 2, 2004), 941–53, <https://doi.org/10.1111/j.1741-3737.2001.00941.x>.

educational attainment.²⁰ Schools also play a role in improving educational attainment. **Florida provides an excellent example of how education policy reforms can reduce the achievement gap.** After the expansion of school choice options and school accountability reforms under former Gov. Jeb Bush, Florida saw significant improvements in National Assessment of Educational Progress (NAEP), or nation's report card, test scores. In fact, test scores for low-income students exceeded the average score of all students in seven states.²¹

Currently, Pennsylvania has a significant achievement gap. Statewide scores from the 2022 Pennsylvania System of School Assessment (PSSA) show that only 36.5 percent of historically underperforming students are proficient or better in language arts, compared to 54.6 percent of all students. This trend continues across math (18.5 percent versus 34.4 percent) and science (46.5 percent versus 62.2 percent).²²

While education does improve earning potential, it is not a panacea. Higher education without a focus on career attainment can have a negative impact on earnings.²³ However, individuals with a graduate degree can expect to earn over two times the lifetime earnings of an individual with a high school diploma.²⁴

3. FREQUENT MOVING

Individuals with low incomes move more often. The Commonwealth Foundation poll of individuals with low incomes found that nearly one-third had moved in the past two years. Comparatively, in 2021, the Census Bureau found that only 8.4 percent of Americans had moved residences in the past year.²⁵ With low-income individuals, the most common reasons for moving were relationship changes or better housing.

A Goodling Institute report estimated Philadelphians with low incomes move once a year, however, access to reliable transportation mitigated the need for frequent moves and, consequently, their negative impact.²⁶ Specifically, dependable transportation allows individuals to have regular and prolonged access to services, job opportunities, or education. For example, a study in Allegheny County found that car ownership was the biggest predictor of food pantry use after income.²⁷

20 Sam Redding, "Academic Achievement, Poverty and the Expectations of Parents and Teachers," *School Community Journal* 7, No. 2 (Fall/Winter 1997), 87–103, <https://www.adi.org/journal/fw97/ReddingFall1997.pdf>.

21 Matthew Ladner and Dan Lips, "Demography as Destiny? Hispanic Success in Florida," *Education Next Journal* 9, No. 3 (Summer 2009), <https://www.educationnext.org/demography-as-destiny-2/>.

22 Pennsylvania Department of Education, "2022 PSSA State Level Data," accessed December 16, 2022, <https://www.education.pa.gov/DataAndReporting/Assessments/Pages/PSSA-Results.aspx>.

23 Joop Hartog, "Over-Education and Earnings: Where Are We, Where Should We Go?," *Economics of Education Review* 19, No. 2 (2000), 131–47, [https://doi.org/10.1016/S0272-7757\(99\)00050-3](https://doi.org/10.1016/S0272-7757(99)00050-3).

24 Christopher R. Tamborini, ChangHwan Kim, and Arthur Sakamoto, "Education and Lifetime Earnings in the United States," *Demography* 52, No. 4 (2015), 1383–1407, <https://doi.org/10.1007/s13524-015-0407-0>.

25 Kristin Kerns-D'Amore, Joey Marshall, and Brian McKenzie, "U.S. Migration Continued to Decline From 2020 to 2021," United States Census Bureau, March 7, 2022, <https://www.census.gov/library/stories/2022/03/united-states-migration-continued-decline-from-2020-to-2021.html#:~:text=In%202021%2C%208.4%25%20of%20people,marking%20a%20new%20historical%20low.>

26 Kai Schafft, Esther Prins, and Marcela Movit, "Poverty, Residential Mobility, and Persistence in Family Literacy Programs: Perceptions of Educators and Adult Learners in Pennsylvania," Goodling Institute, February 2008, <https://eric.ed.gov/?id=ED535320>.

27 Beth Osborne Daponte, et al., "Food Pantry Use among Low-Income Households in Allegheny County, Pennsylvania," *Journal of Nutrition Education* 30, No. 1, (1998), 50–57, https://www.researchgate.net/profile/Lowell-Taylor/publication/223726135_Food_Pantry_Use_among_Low-Income_Households_in_Allegheny_County_Pennsylvania/links/5b844255a6fdcc5f8b6b50c6/Food-Pantry-Use-among-Low-Income-Households-in-Allegheny-County-Pennsylvania.pdf.

4. GENDER

In Pennsylvania and across the world, poverty disproportionately affects females. Research demonstrates this is because woman-dominated fields often offer lower salaries.²⁸ As an example, women are overrepresented in preschool education, while men are overrepresented in civil engineering. Since women generally have lower wages than men, they are more likely to have relatively lower incomes.

5. CHILDHOOD POVERTY

Childhood poverty has a profound impact on educational achievement and earning potential later in life. A 2012 study found that early childhood poverty was a significant factor in adult earnings and work hours.²⁹ The duration of childhood poverty matters as well. A study on the dynamics of childhood poverty found that **the longer a child lives in poverty, the more likely they are to be impoverished as an adult.**³⁰ Childhood poverty reduction efforts are most effective when children are young.³¹

Barriers to Prosperity: Insights from Pennsylvanians

Academic literature can provide valuable insights into where poverty exists and common characteristics among households with low incomes. However, a comprehensive look at where poverty exists and the barriers to prosperity must include insights from these Pennsylvanians. To capture these experiences, the Commonwealth Foundation commissioned a poll of over 1,000 low-income (defined as living at or below 200 percent of the 2021 federal poverty line or \$53,000 for a family of four) individuals in Pennsylvania.³² Fifteen participants agreed to one-on-one follow-up interviews to gain a greater understanding of their experiences. The report changes their names to protect their privacy.

INCOME FOR PENNSYLVANIANS WITH LOW INCOMES

- Average gross income \$33,657.
- Only 16 percent identify as poor.

The average gross household income of the surveyed individuals was \$33,657. Given that the average family size in this group was three, the average household income is equal to 1.5 times the Federal Poverty Level. Only 16 percent of respondents self-identified as poor. On average,

28 Ariane Hegewisch and Heidi Hartmann, "Occupational Segregation and the Gender Wage Gap: A Job Half Done," Institute for Women's Policy Research, January 2014, https://ecommons.cornell.edu/xmlui/bitstream/handle/1813/79410/Occupational_Segregation_and_the_Gender_Wage_Gap__A_Job_Half_Done.pdf?sequence=1.

29 Greg J. Duncan, et al., "The Importance of Early Childhood Poverty," *Social Indicators Research* 108, No. 1 (August 2012), 87–98, <https://doi.org/10.1007/s11205-011-9867-9>.

30 Mary E. Corcoran and Ajay Chaudry, "The Dynamics of Childhood Poverty," *The Future of Children* 7, No. 2 (Summer/Fall 1997), 40–54, https://inequality.stanford.edu/sites/default/files/media/_media/pdf/Reference%20Media/Corcoran%20and%20Chaudry_1997_Children.pdf.

31 Aletha C. Huston, "Children in Poverty: Can Public Policy Alleviate the Consequences?" *Fam Matters* 87 (2011), 13–26, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3287293/>.

32 United States Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation, "2020 Poverty Guidelines," accessed December 16, 2022, <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references/2020-poverty-guidelines>.

respondents reported needing a household income of \$50,346 to meet their current needs. The gap between average income and average needed income was \$16,689, or an increase of about 50 percent. Ashley, a single mother, explains, “If I could make at least \$50,000 a year, I think that would just fit. I would love to make more than that. It would help me tremendously to get afloat and do better than what I’m doing now.”

Most respondents could pay their bills each month, and about half had debt. The most common form of debt was credit card debt, followed by student loan debt. Most had little to no savings. Only 36 percent of surveyed individuals reported making enough money to be financially secure, and just 40 percent indicated that they saw a path to financial security.

Richard, a retired warehouse manager, sums up the typical financial experience for low-income Pennsylvanians, stating “I can pay my bills. I’m not behind on anything. It’s just that I don’t have that much left after I get done paying them... if this new bill goes through for next year for Social Security and \$200 on top... I could probably save 25 to 50 dollars. But other than that, I can’t.”

Ethan, a medical claims adjuster, is in a similar situation, explaining, “...36 [thousand], I’m making my bills. But if I had a little bit extra per month, like at 40,000, I think I would be able to save.”

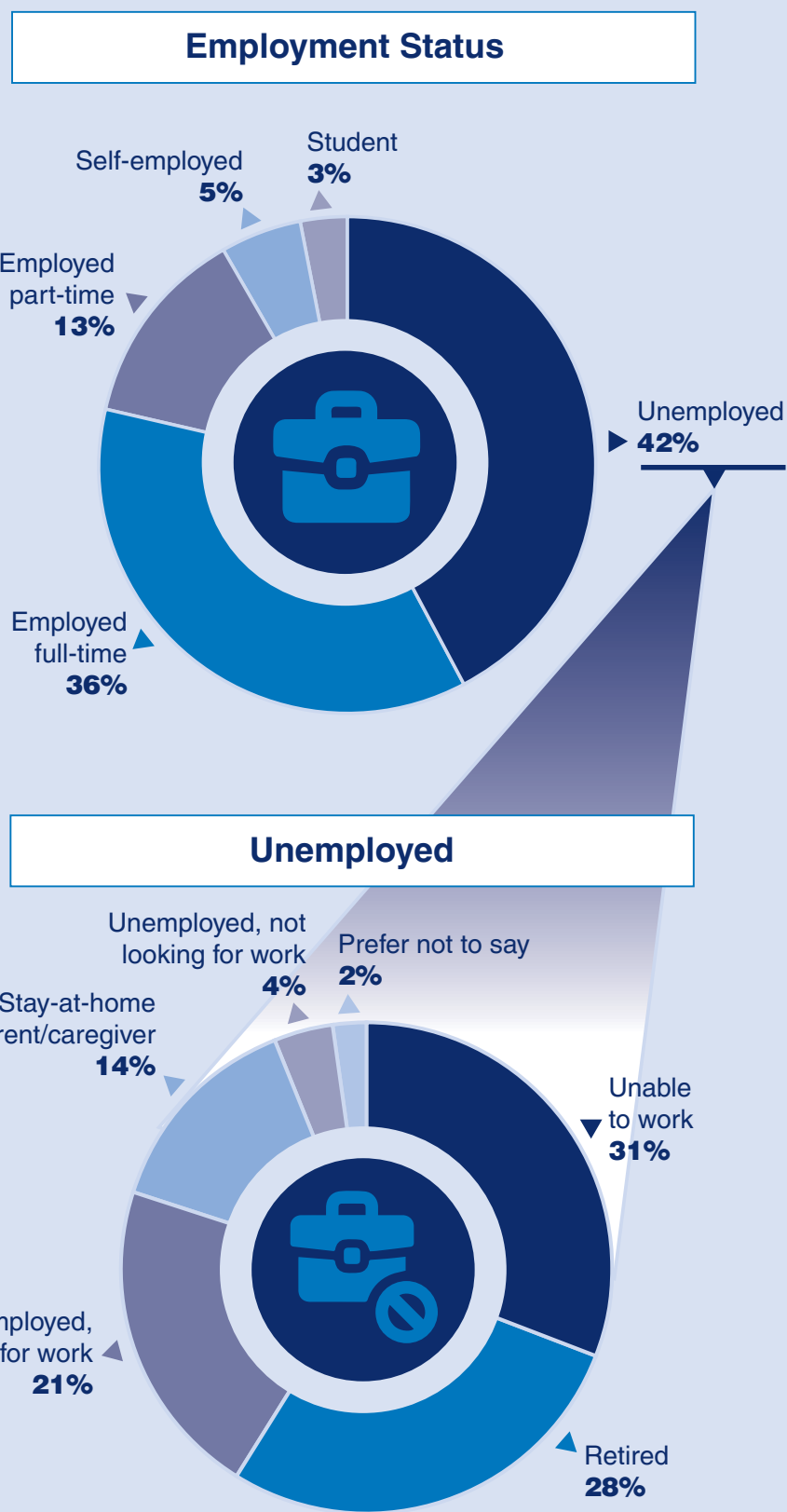
WORK STATUS FOR PENNSYLVANIANS WITH LOW INCOMES

- Sixty-three percent of respondents work or are looking for work.
- The most common reason for not working apart from retirement and disability is providing care for family members.

Ryan, who is currently unemployed, explains his biggest obstacle to financial security, “It’s finding a good kind of job.” I mean, I’ve been looking, but it’s hard, trying to find a job... that’s paying good, with my experience, that’s the problem.” Ethan adds, “I would say the income at my job would probably just be the biggest factor. Because if that was higher, then, obviously, I could pay off my bills quicker, like my loans, like my credit card loans and stuff like that.”

Pennsylvania’s income problem is much deeper than the common trope about individuals not wanting to work. Figure 5 shows 36 percent of respondents were employed full-time, while 13 percent were employed part-time. **Notably, 63 percent of respondents were employed, self-employed, or unemployed and looking for work.** Only 2 percent said that they were unemployed and not looking for work. Of the remaining respondents, 13 percent said that they were unable to work, 12 percent were retired, and 6 percent were stay-at-home parents or caregivers.

FIGURE 5: MOST PENNSYLVANIANS WITH LOW INCOMES WORK



Source: Commonwealth Foundation commissioned survey.

Most of these Pennsylvanians want to work to improve their financial security. Christopher, a car salesman, progressed from a minimum-wage job to a higher-earning job and wants to continue moving up. **Speaking about his work ethic, he explains, “...I like showing everybody where I came from, where I was born at, the rough life and everything. And it’s important, so when I become in that position, I can [have] everybody look at me, and say, ‘Wow. What’d you do to get this position?’ [and I answer] ‘I worked for it. I worked very hard to get into the position.’ That’s my goal.”**

Linda, a retiree living off an individual retirement account (IRA) distribution who will soon need to replace that income explains, “I only need maybe \$800 a month to stay in my home. But right now, of course... if I can keep healthy, I would be able to get a job maybe in a ... they’re a couple of nursing homes that are hiring in the area that need help in the laundry room, although I always worked in an office.”

It’s important to note data from the Census Bureau shows that full-time workers out-earn part-time workers at every level of educational attainment.³³

EMPLOYMENT BARRIERS FOR PENNSYLVANIANS WITH LOW INCOMES

- The job market, commuting to work, and caring for family are the most common barriers to employment.
- Only 26 percent report no barriers.

The survey of Pennsylvanians with low incomes also asked about barriers to employment (Figure 6). Only 26 percent of individuals reported no barriers to employment, suggesting again that most unemployed Pennsylvanians prefer to work.

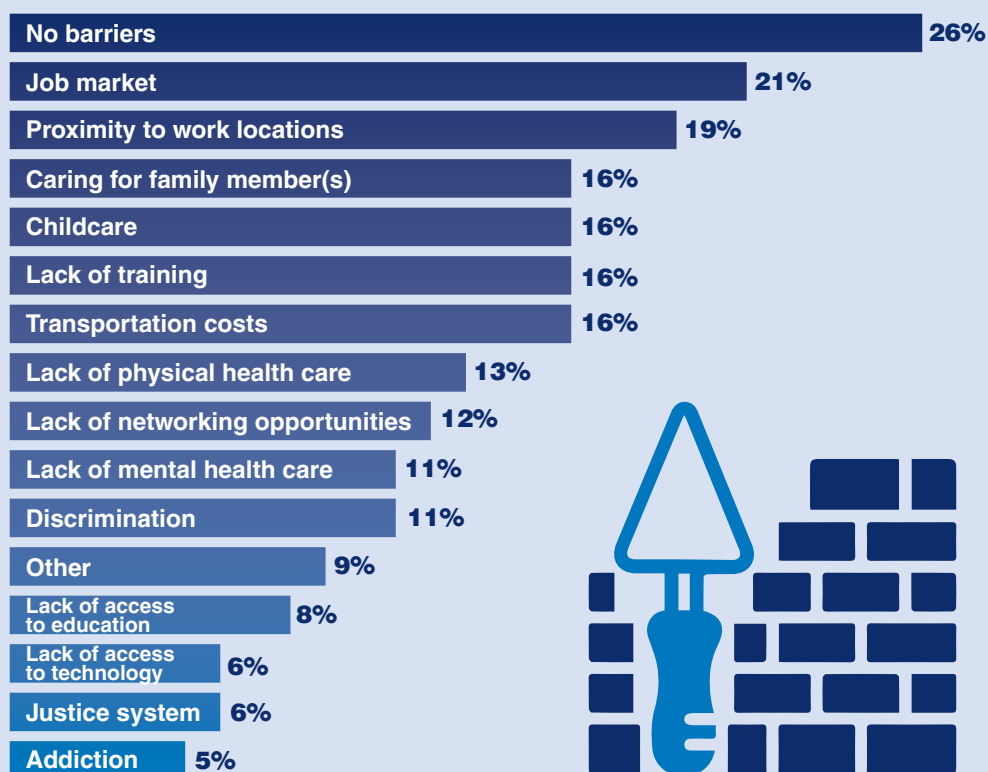
Of the respondents reporting barriers, 43 percent indicated that caring for a loved one or child was a significant barrier to employment. For these individuals, the cost of care for the loved one may exceed their potential earnings in the workforce. For others, potential work does not provide the flexibility needed to continue caring for their loved ones.

As Kayla, currently working in medical billing, explained, “...when you have to get your child to school, it’s hard to get her to school and be at a job within half an hour... I get [stuck at] finding a real great job because I have to base my hours around my daughter’s school.”

Ashley faces a similar problem, stating, “But I also have a special needs child. And I’m a single mom, so I have to work around his schedule... It’s kind of hard to get an employer to work around my schedule.”

³³ Tiffany Julian and Robert Kominski, “Education and Synthetic Work-Life Earnings Estimates,” American Community Survey Reports, September 2011, <https://files.eric.ed.gov/fulltext/ED523770.pdf>.

FIGURE 6: TOP BARRIERS TO EMPLOYMENT 2022 AND 2023



Source: Commonwealth Foundation commissioned survey

Pennsylvania's employment barriers have rippling effects across the state's economy. Census data shows that three of the five counties with the highest poverty rates saw negative domestic migration in the past year.³⁴ This trend is in line with the state's overall population trends.³⁵ Without significant improvement to the state's economy, working-age residents will continue to flee the state in favor of low-tax, high-economic-growth states like Florida and North Carolina.³⁶

34 United States Census Bureau, "County Population Totals, 2020–2021," accessed December 16, 2022, <https://www.census.gov/data/tables/time-series/demo/popest/2020s-counties-total.html>.

35 Commonwealth Foundation, "Pa.'s Troubling and Continued Population Decline," press release, December 22, 2022, <https://www.commonwealthfoundation.org/2022/12/22/pennsylvania-population-decline/>.

36 Jared Walczak, "Americans Moved to Low Tax States in 2021," Tax Foundation, January 4, 2022, <https://taxfoundation.org/state-population-change-2021/>.

FINANCIAL SECURITY FOR PENNSYLVANIANS WITH LOW INCOMES

- Forty-six percent of respondents report debt is their biggest barrier to financial security.
- Taxes are the second most common barrier at 29 percent.

When asked about the biggest barriers to financial security, respondents listed debt (46 percent) and taxes (29 percent) as the two most common barriers to financial security. **Both responses are indicative of a greater problem; individuals do not have access to enough of their own money. The average respondent pays \$4,575 per year in taxes, about \$380 per month.**

Linda, living off \$1,000 a month, explains how she must save year-round to pay her property tax bill: “I save 10 percent every month, and that’s the money I use to pay my taxes when they come. The money that I save, I use to pay school taxes or my property taxes, so I guess that’s it.”

A lower tax burden would mean that individuals have more access to their income, which could free up more money to pay off debt or put into savings. Pennsylvania’s Personal Income Tax (PIT) is relatively low at a flat rate of 3.07 percent. Eliminating the PIT would represent an annual savings of \$1,033 for an individual making \$33,657, the average income of survey respondents. The tax savings are significant, and could pay for a month’s rent, a car repair, or could start a savings account.

Another way to give individuals more access to their income is the Taxpayer Protection Act (TPA). The TPA would limit government spending to the rate of inflation and population growth.³⁷ The TPA would not cut any government spending or assistance programs but place a guardrail on the growth of spending. Had the TPA been enacted in 2003, the average family of four in Pennsylvania would have about \$20,000 additional dollars in their pockets today, thanks to a lower tax burden.

This lines up with academic research too. Free market economic policies are widely believed to promote economic prosperity. However, new research suggests that free market policies can have a profound impact on poverty alleviation, as well. Another Commonwealth Foundation study estimates a one-point increase in the Economic Freedom of North America (EFNA) Index over five years could lift nearly 180,000 Pennsylvanians out of poverty. The EFNA Index ranks economic freedom on three factors: low government spending, low taxes, and low levels of regulation in the labor market. The same study finds increased income is associated with more economic freedom. In fact, a one-point increase in Pennsylvania’s EFNA Index translated into a \$2,338 increase in per capita income.³⁸

37 Commonwealth Foundation, “How to Create a Better Pennsylvania in 2023,” accessed January 2023, <https://www.commonwealthfoundation.org/better-pa-2023/>.

38 Meg Tuszynski, “Tearing Down the Barriers to Prosperity: How More Economic Freedom Can Reduce Poverty and Boost Prosperity in Pennsylvania,” Commonwealth Foundation, February 2023, <https://www.commonwealthfoundation.org/research/economic-freedom-reduce-poverty-pennsylvania/>.

EDUCATION AMONG PENNSYLVANIANS WITH LOW-INCOMES

- Most respondents achieved the same level of education as their parents, yet only 28 percent felt they were better off.

Eighty-four percent of respondents indicated that they had achieved the same or higher amount of education as their parents. Parental involvement was high as well. Sixty-four percent of respondents said that their parents were “moderately to very” involved in their education. Forty-two percent indicated that their parents offered career advice, and 53 percent had financial support from their parents after they turned 18.

Despite this, only 28 percent said that they were economically better off than when they were growing up. This indicates that traditional barometers of educational success, such as obtaining a bachelor’s degree, are not going as far as they used to. Or respondents perceive they are worse off given rising living standards.

Ethan, who has an associate degree, explains his struggle: “I don’t have a ton of bills but making sure I am at a job that’s paying me what I need, too, to at least be able to meet the bills that I do have. And I know that’s hard for me. Even with a college degree, I wasn’t making that much at all.”

Overcoming “giant” student debt has become a real challenge. The skyrocketing costs of higher education—resulting in large part from the broken expansion of government-backed student lending—explain why individuals can achieve the same education level as their parents but experience less economic success.³⁹ **Ethan sees his struggle with student loans as a barrier to financial security: “...my student loans because they’ve been lingering for so many years and will continue to linger until I pay them down. So, they’re definitely an obstacle because they make it look like I have a lot of debt when, really, I don’t have credit card debt. I just have these giant student loans.”**

HOW PENNSYLVANIANS WITH LOW INCOMES UTILIZE GOVERNMENT ASSISTANCE

- Twenty-one percent of respondents knew they were eligible for benefits but did not enroll.
- Fifty percent of respondents utilize some form of government assistance.

While almost any aspect of state government can impose a barrier to prosperity (housing regulation, tax rates, licensing, etc.), most policy discussions related to poverty focus on benefit programs that redistribute wealth to increase the financial security for low-income Pennsylvanians. These programs include food stamps via the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Temporary Assistance for Needy Families, Special Supplemental

39 Abigail Johnson Hess, “College Costs Have Increased by 169% since 1980—but Pay for Young Workers Is up by Just 19%: Georgetown report,” CNBC, November 2, 2021, <https://www.cnbc.com/2021/11/02/the-gap-in-college-costs-and-earnings-for-young-workers-since-1980.html>; David Boaz, “Federal Student Loans and Rising Tuition Costs: An Insider Speaks Up,” Cato Institute, July 28, 2021, <https://www.cato.org/blog/federal-student-loans-rising-tuition-costs-insider-speaks#:~:text=A%202017%20study%20from%20the,colleges%20to%20raise%20tuition%20more>.

Nutrition Program for Women, Infants and Children (WIC), and Childcare Assistance to improve financial security. Fifty percent of surveyed individuals indicated that they took advantage of these programs. Of those on government assistance, SNAP (63 percent) and Medicaid (56 percent) were the most used programs. Respondents reported the highest level of satisfaction with SNAP and Medicaid, at 72 and 70 percent satisfaction, respectively. General Assistance and Veterans Affairs benefits received the lowest levels of satisfaction.

Many eligible individuals are not applying for benefits. Twenty-one percent of surveyed individuals said they knew they were eligible for benefits—but chose not to enroll. When asked why, the two most common responses were: not knowing how to apply for benefits (30 percent) and difficulty applying for benefits (24 percent).

Richard explains the difficulty of applying for assistance: “Well, I don’t know how they figure out the SNAP amounts that you can get according to your Social Security or whatever you get. But, yeah, I mean I don’t get that much. But like I said, last time I checked, it was only \$16 which really isn’t anything terrific. It’s more of a hassle putting in for it than it would be to get it.”

Assistance can also create a barrier to higher earnings for individuals with low incomes. When individuals increase their earned wages, they become ineligible for certain local, state, and federal assistance. However, they do not make enough in additional wages to equal the assistance they lost, creating an overall reduction in their gross income. In other words, they lose benefits faster than they increase their income. This is referred to as a benefits cliff and discourages work.

Linda summarizes her experience with a benefits cliff, stating, “My income is too much to qualify me for any kind of aid. I always tell everybody I make too much to qualify for help, but I don’t make enough money to live well.”

Heather, who works part-time when not homeschooling her children, offers a potential solution to some of the problems with the current benefits system, stating, “I would like policymakers to write laws that provide for people’s basic needs more generally. Instead of the super specific programs that are out there, I wish there was more [of] the type that parents and people were getting during the pandemic to kind of support their household, I think that’s great.”

Beyond the practical challenges of implementing assistance programs, expansion through broader eligibility or higher-value benefits can be counterproductive.

Government spending on impact payments and other forms of aid during the COVID-19 pandemic sparked massive inflation, which sits at 6.5 percent as of December 2022.^{40,41} This inflation has had a profound impact on workers, as the latest data shows a 1.7 percent decrease in real earnings from November 2021 to November 2022. In other words, due to inflation, workers’ pay decreased by 3.1 percent over the past year.⁴²

40 Andrew Holman and Nathan Benefield, “How Government Overspending Hurts Pennsylvania Families,” Commonwealth Foundation, January 31, 2022, <https://www.commonwealthfoundation.org/research/government-overspending-hurts-pennsylvania-families/>.

41 United States Bureau of Labor Statistics, “Consumer Price Index – December 2022,” January 12, 2023, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

42 United States Bureau of Labor Statistics, “Real Earnings News Release – December 2022,” January 12, 2023, <https://www.bls.gov/news.release/realer.nr0.htm>.

Policy Outlook

Based on the comparative analysis of poverty policies and the survey information from low-income households, common barriers to prosperity emerged, as did policy areas ripe for change. They include:

- **Policies that prevent or reduce the concentration of poverty.**

These reforms include relaxed zoning, educational opportunities for children beyond the geographically assigned public school, and replacing low-income housing complexes with housing vouchers.

- **Policies that allow Pennsylvanians to keep more of their earnings.**

More competitive tax rates, reduced red tape and regulatory bureaucracy, and a state-earned income tax credit are potential ways to reduce the burden on Pennsylvanians with low incomes. Allowing individuals to keep more of their earnings will help all Pennsylvanians living paycheck to paycheck. In contrast, expanding entitlements could subject more Pennsylvanians to the harmful effects of benefit cliffs and require more taxes to administer assistance programs.

- **Policies that make it easier for workers with dependents.**

Regulatory relief for long-term care and childcare providers could make these services more affordable. Lawmakers should also consider program integrity reforms to drive down improper payments and reallocate savings to care for indigent individuals. In addition, policymakers should refrain from passing laws and imposing regulations that restrict the gig economy or the ability of individuals to set up home businesses and maintain flexible work hours.

Conclusion

Pennsylvanians have enjoyed a remarkable level of prosperity during our short existence. But we can do better. When it comes to identifying and removing the remaining barriers to prosperity, our fellow Pennsylvanians are our greatest resource. It is incumbent upon lawmakers to carefully consider how each well-intentioned public policy erects or removes a barrier to prosperity.



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