



CLOSUP Working Paper Series  
Number 27

April 2010

# **Changing Poverty and Changing Antipoverty Policies**

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This paper is available online at <http://closup.umich.edu>

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### *Abstract*

Since the early 1970s, dramatic changes in the economy, demographic composition of the population and in public policies have combined to reduce the antipoverty effects of economic growth. Because economic growth is now necessary, but not sufficient, to significantly reduce poverty, antipoverty policies must be expanded and reformed, especially in the aftermath of the severe recession that began in late 2007.

The authors review three cross-cutting factors that shape the extent and nature of poverty and prospects for reducing poverty: the changing role of race and ethnicity in the labor market and society; changing gender roles that influence both trends in labor force participation of women and patterns of family formation and childbearing; and the recent history of social welfare programs and policies. They conclude by recommending a set of high priority antipoverty policies that are consistent with current trends in work effort, patterns of family formation, and continuing changes in how the globalized economy affects the employment and earnings prospects of less-educated workers. These policies focus on making work pay, helping parents balance work and family responsibilities, and raising the educational attainment of disadvantaged children. They also briefly summarize the other chapters in the forthcoming *Changing Poverty* volume.

## Chapter 1

### Changing Poverty and Changing Antipoverty Policies

Maria Cancian and Sheldon Danziger

It is not surprising that the severe economic downturn that began in late 2007 reduced employment and earnings and raised the official poverty rate. What many readers may find surprising, however, is that even during the long economic expansions of the 1980s and 1990s, the official poverty rate has remained higher than it was in 1973. Since the early 1970s, dramatic changes in the economy, in social conditions that affect the demographic composition of the population, and in public policies have combined to reduce the antipoverty effects of economic growth. Even though gross domestic product per capita has grown substantially since the early 1970s, the antipoverty effects of this growth were substantially lower than they were in the quarter century that followed the end of World War II. Economic growth is now necessary, but not sufficient, to significantly reduce poverty. Antipoverty policies must be expanded and reformed to address these new demographic and economic realities.

This volume examines *changing poverty and changing antipoverty policies in the United States since the early 1970s*. The chapter authors consider both how economic and demographic changes have changed which individuals and families are poor, and how antipoverty programs and policies have, and have not, changed in response. Poverty rates have declined for some demographic groups and increased for others. The authors address the range of economic, social, and public policy factors that contribute to changing levels of poverty and examine how changes in existing programs and policies and the implementation of new programs and policies might reduce poverty in the future. Some of these policies would supplement the incomes of today's

low-income families, while others aim to prevent poverty by raising employment and earnings—either in the near future, or in the next generation.

Most analyses in this volume utilize the Census Bureau measure of poverty, adopted in the late-1960s, according to which an individual is counted as poor if her/his current money income from all sources and from all related family members falls below the official poverty line. In 2008, a family of four was considered poor if its money income before payment of taxes was less than \$22,017; a single, nonelderly person was poor if her/his pre-tax money income was less than \$11,201. Measuring poverty requires analysts to confront many conceptual and technical issues. As discussed in the chapters by Daniel Meyer and Geoffrey Wallace and Robert Haveman, many researchers consider the current poverty measure to be outdated. However, the official poverty rate remains one of our nation's most important social indicators. Despite its flaws, it provides valuable information on how far the nation still has to go to reach President Johnson's goal, set out in 1964, when he declared "War on Poverty"—the elimination of income poverty.

A more contentious debate involves how to best understand the range of factors that lead some people to become poor or remain poor. Some explanations suggest poverty is primarily the consequence of an individual's own choices regarding investments in education, job search efforts, and motivation to work, and his/her decisions about family formation and childbearing. Other explanations emphasize structural factors that shape the set of choices available to an individual and that differ systematically by, for example, parental socioeconomic status, race, and gender. Structural factors include changes in the nature of available jobs brought about by technological changes, globalization, and economic policies, and unequal access to good schools and employment opportunities due to residential segregation and/or discriminatory practices.

Because so many complex interactions can affect an individual's money income, the same poverty experiences can reasonably be explained in different ways. Consider a single mother who did not graduate from high school who has lost her minimum wage service sector job after missing a few days of work to care for a sick child who has chronic asthma. Is her family now poor because of a short-term health crisis? If so, is the crisis due primarily to the mother's failure to make alternative child care arrangements and to call her employer when she missed work, or is it primarily due to the nature of low-wage jobs that do not provide even unpaid sick leave and do not provide workers with subsidized health insurance? Or, is her family's economic vulnerability due to the personal choices she made when she dropped out of high school and gave birth to a child outside of marriage? To what extent does graduating from high school reflect an individual's own choices, efforts, and motivation, as opposed to the quality of educational opportunities that vary with property values in the local school district, or to other factors largely beyond individual choice or control? In part because the causes of poverty are so varied and so difficult to disentangle, there is disagreement among poverty researchers and policy analysts about which policy changes would most effectively reduce poverty.

In order to make recommendations about promising antipoverty policies, the authors analyze how economic, demographic, social, and public policy changes since the early 1970s have shaped the choices and structural constraints that individuals face, and the consequences of these changes for understanding changes in poverty. Several chapters discuss the changing economy and changing labor market that have affected employment and earnings, and, hence, changing patterns of poverty for men and women. Others examine the changing demographic composition of the population, particularly increases in single-mother families and increased immigration, and their effects on poverty. Others analyze the changing role of public policies

relating to labor markets, income support programs, education and training programs, health insurance, and family policies in reducing poverty among today's adults and preventing poverty in the next generation.

Before we describe the content of each chapter, we review three cross-cutting factors that shape the extent and nature of poverty and how those factors affect prospects for reducing poverty: the changing role of race and ethnicity in the labor market and society; changing gender roles that influence both trends in labor force participation of women and patterns of family formation and childbearing; and the recent history of social welfare programs and policies. We also briefly compare aspects of poverty in the United States with those in other advanced industrialized countries.

#### THE CHANGING ROLE OF RACE AND ETHNICITY: UNEVEN PROGRESS AND PERSISTENT DISPARITIES

The large and persisting differences in poverty rates between racial and ethnic groups are an enduring and troubling aspect of our nation's social and economic history. In 1950, about three out of four black Americans had incomes below the level specified by the official poverty line; in contrast, about 35 percent of whites were poor.<sup>1</sup> Both the high absolute level of black poverty, and the disparity between the economic status of whites and blacks, challenged the American ideal of equal opportunity. The second half of the twentieth century was a period of great, but uneven and incomplete, progress. While overt, legally sanctioned discrimination explicitly based on race and ethnicity has largely been eliminated, public policies and institutional practices continue to have effects that differ by race and ethnicity and disadvantage minorities.<sup>2</sup> Moreover, the lingering effects of past discrimination in schooling, housing markets, and labor markets reduce the ability of racial and ethnic minorities to take full advantage of

contemporary opportunities (Lin and Harris 2008). While the absolute gap in poverty rates between whites and racial and ethnic minorities has narrowed since the 1960s, continuing large disparities raise challenges for antipoverty policies.

The 1950s and 1960s were decades of rapid economic growth that raised earnings for workers of all races, ethnicities, and educational groups. Changes in public policies and civil rights legislation increased access to educational and job opportunities and contributed to relative income growth and occupational gains for black Americans. By 1969, poverty rates had fallen to 31 percent for blacks and 8 percent for whites. While blacks were more than three times as likely as whites to be poor, the racial gap in poverty rates had fallen from 40 percentage points in 1949 to 23 points in 1969.

While the 1970s and 1980s saw additional progress in reducing discriminatory barriers based on race and ethnicity, slow economic growth coupled with higher unemployment rates and falling real wages for workers with no more than a high school degree brought progress against poverty to a halt for all racial and ethnic groups. Minorities were overrepresented among workers with a high school degree or less, a group whose wages and employment prospects fell relative to those of college graduates. Slow and unequal growth resulted in a unique period in recent American economic history—two decades over which the official poverty rate rose. In 1973, the official rate was 7.5 percent for white non-Hispanics, 31.4 percent for blacks, and 21.9 percent for Hispanics. In 1993, the rates for whites and blacks had increased modestly to 9.9 percent and 33.1 percent, respectively. The rate for Hispanics had increased substantially to 30.6 percent—in part reflecting increased immigration.<sup>3</sup>

The economic boom that started after the recession of the early 1990s resulted in the lowest unemployment rates since the late-1960s—4.0 percent in 2000. And, the inflation-

adjusted wages of less-educated workers, which had fallen between the early 1970s and the early 1990s, increased. Tight labor markets and rising real wage rates for less-educated workers had a larger positive effect on the incomes and poverty rates of black and Hispanic families than on those of white non-Hispanic families—both because black and Hispanic workers are more likely than whites to have less education, and because, among less-educated workers, blacks and Hispanics made larger gains than whites. Between 1993 and 2000, the poverty rate for white non-Hispanics fell from 9.9 percent to 7.4 percent, while the poverty rate for minorities dropped dramatically. The rate for blacks declined from 33.1 percent to 22.5 percent; the rate for Hispanics, from 30.6 percent to 21.5 percent.

Poverty rates increased following the 2001 recession and the slow growth in the subsequent six years. In 2007, 8.2 percent of white non-Hispanics, 24.5 percent of blacks, and 21.5 percent of Hispanics were poor. Among other racial and ethnic groups, poverty rates in 2007 were high among Native Americans (25 percent) and relatively low for Asian Americans (10 percent). Given the recession that started in December 2007, and the very large number of jobs lost, poverty rates will be even higher at the end of 2009 and are unlikely to reach the lower rates of 2000 for several years after that.

Absolute disparities in poverty rates fell over the latter decades of the twentieth century, but remain large. The gap between whites and Hispanics was 13 points in 2007 compared to 21 points in 1993. The black-white gap in poverty rates was 16 percentage points in 2007, substantially smaller than the 24-point gap in 1993 and the 40-point gap in 1950. However, the rates for black, Hispanics, and Native Americans in 2007 were higher than the 1959 rate for whites—18.1 percent. In 2007, blacks and Native Americans remained three times as likely as whites to be poor, with white-Hispanic differentials only slightly smaller.

The progress in reducing the official poverty rate and the narrowing of race-ethnic disparities reflect overall economic growth over the last half of the 20<sup>th</sup> century, expanded income support policies, especially for the elderly, and the elimination of most explicit discriminatory policies and practices. Remaining disparities reflect the vulnerability engendered by a history of disadvantage, as well as more subtle forms of discrimination—institutional structures, policies, and attitudes that have been more resistant to change (Lin and Harris 2008).

The persistent disparity in poverty rates across racial and ethnic groups reflects both race-specific and race-neutral factors. Because about half of all the thirty-seven million poor Americans are either black or Hispanic, race-neutral economic changes and public policy changes that affect low-wage workers and low-income families will disproportionately affect racial/ethnic minorities. But race and ethnicity also directly shape the context and content of public policies, and other factors, in ways beyond those associated with the disproportionate representation of minorities among the poor.

Consider, for example, recent trends in educational attainment and changes in wages for workers with differing educational attainments. One of the most powerful labor market changes since the 1970s has been increasing returns to education, due primarily to increased employer demand for college-educated workers and decreased demand for high school dropouts and high school graduates, particularly among men. For example, many less-educated men with high-wage jobs worked in manufacturing industries in the quarter century following World War II. The number of these jobs has decreased dramatically since the early 1970s and that trend has accelerated in the first decade of the twenty-first century. As a result, the earnings of black and Hispanic men have fallen relative to those of white men, largely a “mechanical” or “race-

neutral” labor market effect due to their disproportionate representation among less-educated workers.

On the other hand, the disproportionate share of blacks and Hispanics with low levels of education is due in part to continuing high levels of racial residential segregation and the related restricted educational opportunities available to children of color. For example, recent audit studies document continued high levels of housing discrimination, including reduced access to available units and racial steering (Turner et al. 2002). These discriminatory practices contribute to the tendency for racial and ethnic minorities, especially blacks, to live in areas of concentrated poverty (Stoll 2008). Because school quality is negatively correlated with the neighborhood poverty rate, even in the absence of discrimination in educational opportunity directly related to race or ethnicity, historical and persisting patterns of residential segregation restrict access to educational opportunities.

Another factor that has negatively affected the employment prospects of minority workers who are residentially concentrated in central cities is the movement of jobs from central cities to suburbs and the rapid expansion of employment outside of central cities in the last quarter of the twentieth century (Stoll and Raphael 2000). Moreover, some employers relocated their firms from the central cities to the suburbs in reaction to the “browning” of central cities. That is, the spatial mismatch between minority workers and jobs reflects both technological changes that made suburban location for some firms more efficient, and racially motivated relocations by firms seeking a “whiter” workforce (Holzer 1996; Stoll 2006).

Less-educated minority men have also been disproportionately affected by the rapid increase in incarceration rates since the 1980s. In 2006, about 5 percent of all African American men were incarcerated—about six times the rate for whites, and more than twice the rate for

Latinos. Steven Raphael (2007) notes that in 2001, 2.6 percent of non-Hispanic white men, 16.6 percent of non-Hispanic black men, and 7.7 percent of Hispanic men had served time in prison. Among recent cohorts of less-educated men incarceration rates are dramatically higher; for example, over two-thirds of black male high school dropouts, and one-third of those with less than a college education, had been incarcerated by the time they reached their early thirties (Western and Wildeman 2009). Racial and ethnic disparities in incarceration reflect both differences in criminal behaviors, and differential treatment by the criminal justice system. That is, blacks and Hispanics are both more likely to engage in criminal behavior—in part, reflecting restricted employment opportunities—and are more likely to face incarceration as a consequence—reflecting explicit and implicit discrimination within the criminal justice system (Wheelock and Uggen 2008).

Mass incarceration has negative consequences for incarcerated individuals and their families and for minority communities as a whole. For example, not only do individuals who have been incarcerated face reduced employment prospects, but some employers appear to discriminate against less-educated black men, regardless of the individual's history of incarceration, because they assume that minority men with sporadic employment histories have spent time in jail (Holzer, Raphael, and Stoll 2006; Pager 2007).

Finally, as we discuss further in the next section, differences in patterns of family structure across racial and ethnic groups contribute to racial/ethnic differences in poverty. Poverty is much lower for married-couple families than for other family types for all racial and ethnic groups. In 2006, 71 percent of black children, 50 percent of Hispanic children, and 27 percent of white children were born to unmarried mothers (Martin et al. 2009), the family structure with the highest poverty rate.

There is a long history of contentious debate among social scientists, policymakers, and the public about the factors that account for declines in marriage, increases in nonmarital childbearing, and racial and ethnic differences in these patterns.<sup>4</sup> There have been dramatic changes in norms across racial and ethnic and socioeconomic groups regarding premarital sexual activity, nonmarital fertility, cohabitation, and divorce that have reduced the stigma associated with nontraditional family formation. Changes in women's employment and related changes in the timing of marriage and childbearing have had differential effects by education level, and therefore by race (Ellwood and Jencks 2004). Some analysts also attribute the relatively low rates of marriage, and high rates of nonmarital childbearing, among blacks to declines in the number of black men who earn enough to support a family (Wilson 1998). The relatively low proportion of black men with family-supporting earnings reflects the previously discussed decline in the relative wages of less-educated men, the declining availability of jobs, and higher incarceration rates. Moreover, the decline in the work and earnings of black men, especially young black men, stands in contrast to growing employment and earnings for black women (Holzer 2009). These changing economic realities interact with changing societal norms and expectations regarding marriage and parenting (Edin and Kefalas 2005).

Regardless of causal factors, large differences in family structure have implications for labor market behaviors and the receipt of government benefits, which have their own independent effects on the racial/ethnic disparity in poverty rates. Many programs and policies have eligibility criteria and/or benefit levels that are related to both marital status and economic status. These include cash welfare (now Temporary Assistance for Needy Families, TANF), the Earned Income Tax Credit, and Social Security, to name a few. As a result, these social policies differentially affect racial and ethnic groups due to their family structure differences. Some

scholars suggest that the racial and ethnic composition of the poor and of potential program beneficiaries influences the generosity of public programs. For example, Soss and colleagues find that the 1996 welfare reform was implemented in ways that were correlated with the racial composition of a state's welfare caseload. As a result, a greater proportion of blacks and Latinos than whites live in states that have stricter sanctions and tougher policies (Soss et al. 2001; Lieberman 2001; Soss, Fording, and Schram 2008; Quadagno 1994).

Because minorities account for more than half of all poor persons, reducing the overall poverty rate requires a reduction in the high rates of poverty among racial/ethnic minorities. Race-neutral antipoverty policies that increase labor market prospects for all less-educated workers and supplement the incomes of all workers with low earnings, and that address the challenges faced by single-parent families can have a substantial effect. However, given the lasting effects of discriminatory practices, additional policies will be needed to reduce racial and ethnic disparities in opportunities and outcomes.

## CHANGING GENDER ROLES AND EXPECTATIONS

Since the 1960s, the U.S. and most other advanced economies have experienced dramatic changes in gender roles and expectations regarding women's choices in the domains of education, marriage, childbearing, and employment. Growth in women's employment reflects large increases in married mothers' work in the 1970s and 1980s, and in the employment of single mothers in the 1990s. For example, in 1970, only 40 percent of married women with children under the age of eighteen worked outside the home; by 2006, 68 percent worked for pay.

In part because of changing gender roles and in part because of increased labor market opportunities, women are staying in school longer, marrying at later ages, and having fewer

children. For example, in 1964, among young adults between the ages of twenty-five and twenty-nine, 69 percent of men and 70 percent of women had completed at least a high school degree, and 17 percent of men and 9 percent of women were college graduates. By 2007, young women in this age group were more likely to have graduated from both high school and college: 89 percent and 33 percent, respectively, compared to 85 percent and 26 percent, respectively, of men.

There has also been a large increase in the percentage of children who reside with only one parent. This reflects higher divorce rates after the 1960s, a delay in the age of first marriage, a decline in the percentage of women who marry, and a lower birth rate for married women, and a somewhat higher birth rate for unmarried women. Maria Cancian and Deborah Reed (this volume) examine the complex relationships among increased women's work and earnings and decreased marriage and fertility. Declines in marriage and increases in nonmarital childbearing have increased women's risk of poverty, whereas increased educational attainment and employment and declines in the number of children per woman have contributed to reductions in poverty.

These profound changes in gender roles and market work have important implications for the design of public policies and employer practices. Issues of family leave, access to affordable child care, and child support payments from noncustodial parents have all become widespread concerns that affect the resources available to children and families across the distribution of income. But low-wage jobs generally offer few family-friendly benefits. Moreover, most public policies designed to help parents balance work and family responsibilities are also not well-designed for low-income families. For example, the \$1,000 per child tax credit implemented by the George W. Bush administration provides additional resources that can be used for child care

and other expenses. However, because the tax credit is not fully refundable, some low-income families that do not owe federal income taxes, but pay social security taxes, do not receive the credit.

Another example of a policy that is not well-designed for low-income families is the Family and Medical Leave Act (FMLA) of 1993. The Act grants eligible workers up to twelve weeks of unpaid leave during any twelve-month period to care for a newborn or adopted child, to care for immediate family members with serious health conditions, or to take medical leave for her/his own serious health conditions. However, the FMLA exempts firms with less than fifty employees, and low-wage workers are more likely than higher-wage workers to be employed by small firms. FMLA also provides only unpaid leave, which is not a viable option for most low-income families that cannot rely on savings or sufficient earnings from other family members (Waldfogel this volume; Boots, Macomber, and Danziger 2008).

The increased employment of mothers and changes in family-formation patterns have directly influenced changes in policies and programs focused on low-income women. Although Aid to Families with Dependent Children (AFDC) was designed in the 1930s to allow poor mothers (particularly, white widows) to stay home and care for their children, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (welfare reform) mandated work requirements for almost all cash welfare recipients, even the mothers of infants. This change in expectations about the market work of welfare recipients in part reflects the increased work of mothers not receiving welfare. According to Ron Haskins (2006, p.18), “That working mothers, millions of them single, should work to pay taxes so that other single mothers could stay home with their children proved to be a highly unstable political situation.”

The 1996 welfare reform also reflected public concerns about declining marriage and increased nonmarital childbearing among the poor. Some analysts (Murray 2001) advocated cutting income supports to make single-parent families less economically viable and to provide a greater incentive for single mothers to marry the fathers of their children or give the children up for adoption.

Most mothers of young children work for pay at some time during the year, but most do not work full time full year. Nonetheless, many states have TANF work requirements that expect such mothers to work full time (Cancian and Reed this volume). Moreover, public policies do not adequately address the reality that many poor women live in less-stable housing, in less-safe neighborhoods, and have fewer options to purchase acceptable child care than their middle-class counterparts. This makes it more difficult for poor mothers to find and hold jobs. Thus, even though the poverty rate for single-mother families with children fell rapidly in the decade following the 1996 welfare reform, their poverty rate remains very high—36.5 percent in 2006, 30 percentage points higher than the rate for married-couple families. Effective antipoverty policy will need to better respond to the challenges associated with changes in family structure and the increasing employment of mothers.

## CHANGING SOCIAL PROGRAMS AND POLICIES

In January 1964, President Lyndon Johnson declared:

This administration today, here and now, declares unconditional war on poverty in America. Our chief weapons in a more pinpointed attack will be better schools, and better health, and better homes, and better training, and better job opportunities to help more Americans, especially young Americans escape from squalor and misery and unemployment rolls.

Johnson and his economic advisors thought that the programs and policies that the War on Poverty would launch, together with a growing economy that raised the wages of most workers and low unemployment rates, would eliminate poverty as officially measured within a generation. Their expectations were incorrect—poverty remained as high in 2007 as it was in 1968. However, given the economic conditions of the 1960s, their optimistic projections were reasonable ones. As mentioned above, poverty had fallen in the 1950s and 1960s, and Johnson's economists were confident that their fiscal and monetary policies could moderate the business cycle and keep the economy growing (Tobin 1976).

They also expected that the enactment of the Economic Opportunity Act of 1964, which increased federal spending on education and training, and the implementation of additional policies to break down discrimination in schools and the labor market would raise the employment and earnings of the poor, especially racial/ethnic minorities and women. Among the many programs launched by the Economic Opportunity Act and the Higher Education Act of 1965 that still operate today are Head Start, the Job Corps, Pell Grants for college tuition, subsidized Stafford loans, and the work-study program for college students. Johnson's advisors expected that these new programs and policies would increase the ability of future generations of high school graduates to earn enough to escape poverty and would increase the likelihood that children from poor families would graduate from high school and enroll in college.

Many among the poor in the mid-1960s were not expected to work—the elderly, disabled, and single mothers with young children; and many poor adults were too old to productively invest in education and training. As a result, in the decade following declaration of the War on Poverty, there was rapid growth in social security and welfare benefits designed to raise the incomes of those not benefiting from economic growth.

A growing economy, expanding economic opportunities, and more generous public benefits all contributed to a rapid decline in poverty from 19.0 percent to 11.1 percent between 1964 and 1973. However, the rapid poverty declines came to an end in 1973; the official poverty rate has never fallen below the 1973 level. The decades since then, for the most part, have been characterized by slower economic growth. Real per capita gross domestic product (GDP) and real per capita personal income grew more rapidly in the quarter century following World War II than they did in the last quarter of the twentieth century. Even this more modest economic growth would have reduced poverty, had it not been accompanied by rising earnings and family income inequality, with those at the bottom of the income distribution falling further behind those at the top.

For most groups at high risk of poverty (except the elderly), growth in government benefits also slowed after 1973. For some periods and some groups there were significant contractions in benefits. For example, the inflation-adjusted value of the median monthly Aid to Families with Dependent Children (AFDC) benefit, then the major cash assistance program for poor single-mother families with children, fell substantially after the mid-1970s, and the number of welfare beneficiaries fell dramatically after enactment of the 1996 welfare reform. As Karl Scholz, Robert Moffitt, and Benjamin Cowan (this volume) document, growth in government benefits after the mid-1980s was targeted on low-income workers, primarily through the Earned Income Tax Credit (EITC).

The failure of poverty rates to fall below their 1973 level contributed to a backlash by policymakers and the public against antipoverty policies. Some critics blamed the growth of antipoverty programs themselves for poverty's failure to decline further (Murray 1984; Mead 1985). President Reagan expressed such a view:

In 1964, the famous War on Poverty was declared. And a funny thing happened. Poverty, as measured by dependency, stopped shrinking and actually began to grow worse. I guess you could say “Poverty won the War.” Poverty won, in part, because instead of helping the poor, government programs ruptured the bonds holding poor families together (Radio address, February 15, 1986).

Other critics argued that the goal of eliminating income poverty should be replaced by the goal of changing the behaviors of the poor. An American Enterprise Institute task force concluded:

Money alone will not cure poverty; internalized values are also needed. (T)he most disturbing element among a fraction of the contemporary poor is an inability to seize opportunity even when it is available and while others around them are seizing it. Their need is less for job training than for meaning and order in their lives. An indispensable resource in the war against poverty is a sense of personal responsibility (Novak et al. 1987).

Our reading of the evidence presented by Rebecca Blank (this volume) and Sheldon Danziger and Peter Gottschalk (1995) is that poverty has not fallen below the 1973 level in large part because of economic changes that led the real annual earnings of working male high school graduates to fall in the three decades after 1973. The poverty rate would be somewhat lower today if fewer low-skilled men had withdrawn from the labor market and if marriage rates had not declined so much over these decades. However, these effects are small compared to the poverty-increasing effects of a labor market that shifted from a quarter century of rapid economic growth that benefited all workers to a quarter century of declining wages and employment prospects for workers with no more than a high school degree.

The impact of slow economic growth was exacerbated by a lack of public policies aimed at helping vulnerable workers and families adjust to the changing economic realities. The Johnson administration proposed a range of education and training opportunities and jobs programs and greatly increased federal subsidies to help the disadvantaged during a period of economic growth. However, in recent decades, government has provided less support at a time during which a changing labor market has increased the rewards for more years of schooling and during which the rising costs of college have made increased public support for students from low-income families more critical. Whereas the United States was a leader in investing in education in earlier decades, it has failed to keep pace with other countries in making the necessary skills and training broadly available. At a time when changing industrial organization has contributed to fewer opportunities to move up within a firm and less job security in many sectors, government spending on workforce retraining is much smaller than it was in the 1970s (Holzer, this volume).

Poverty persists, not because the ideas of the War on Poverty planners were fundamentally mistaken, but because the changing economy increased economic hardships for many workers and existing antipoverty policies did not respond sufficiently to offset market-generated increases in poverty. Policies also failed to respond adequately to largely unanticipated changes in family organization. Poverty need not remain high—the historical evidence and the new analyses in this volume document that there are promising antipoverty policies that can be undertaken to reduce poverty far below its current level.

## REVIEW OF THE CHAPTERS

The remaining chapters are organized into four sections. Current poverty levels, and how economic and demographic changes have contributed to the lack of progress in reducing poverty

since the early 1970s, are discussed in Section I. Section II evaluates poverty mobility—the consequences of childhood poverty for later life outcomes, and the chances that individuals with poor parents will escape poverty as adults. Antipoverty policies, including income support policies, family policies, education, and workforce development policies, and health policy, are analyzed in Section III. The final section assesses the politics of poverty and related policies, and reconsiders how we define poverty, and how new definitions of poverty and material hardships might support new policy solutions.

This volume analyzes changes in poverty and changes in antipoverty policies in the United States. However, a comparison of U.S. experiences with those of other advanced economies can illuminate some of the underlying causes of poverty, and the prospects for change.<sup>5</sup> As Daniel Meyer and Geoffrey Wallace document in the next chapter, by a common measure, U.S. poverty rates are among the highest of all advanced economies.

Some readers may find it surprising that poverty is higher in the United States when our GDP per capita is higher, our unemployment rate is lower, and Americans work more hours per year than workers in most other rich countries. However, there is greater inequality in wages in the United States, low unionization rates, and a low minimum wage, so a greater proportion of American workers are poor than their counterparts in many European countries. In addition, government social programs in the United States provide lower benefits to fewer families than those in other rich countries (Smeeding 2008; Scholz, Moffitt, and Cowan this volume).

### Economic Changes, Demographic Changes, and Trends in Poverty

In Chapter 2, Daniel Meyer and Geoffrey Wallace review how poverty is currently measured and show how poverty differs among demographic groups—poverty rates are relatively high for children (compared to adults and the elderly), for blacks and Hispanics

(compared to white non-Hispanics), and for families headed by women (compared to married couples). However, because of their size in the overall population, white non-Hispanics account for about 40 percent of all poor persons. Fewer than half of all poor people live in female-headed households.

It is difficult to consistently measure poverty from the 1960s to the present because the official measure counts only cash income and is increased each year only to account for inflation. The official measure thus does not reflect the overall rise in living standards, which has led many analysts to advocate for a higher poverty line (Blank 2008). It also does not reflect the increase in government noncash benefits and tax credits that raise the well-being of the poor, but are not counted as income by the official measure. Nonetheless, both the official measure and alternative measures presented by Meyer and Wallace reveal little progress against poverty for all persons for four decades—the official poverty rate was 12.8 percent in 1968, and 12.3 percent in 2006. While about one in eight people was poor in both 1968 and 2006, poverty among the elderly fell from 25.0 percent to 9.4 percent, while child poverty rates increased from 15.4 percent to 17.4 percent. Poverty rates for blacks (32.8 percent versus 24.2 percent) and for female-headed families (40.6 percent versus 31.9 percent) were also lower in 2006 than in 1968.

Meyer and Wallace discuss recent estimates comparing poverty in the United States and ten other industrialized countries that show that the United States has the highest proportion of poor households when households in a country are counted as poor if they have incomes below 50 percent of the median income in that country.<sup>6</sup> Under this relative poverty measure 17 percent of American households are poor. Of the other countries compared, only Ireland has a comparable poverty rate (16.5 percent). Among the other countries, Italy, the United Kingdom, and Canada have rates of poverty ranging between 11 percent and 13 percent; Sweden and

Finland have low rates of poverty, 5 percent to 7 percent. Meyer and Wallace also present comparative data from an absolute poverty measure that uses the value of the official U.S. poverty line and calculates equivalent values in these same countries. According to this measure, 8.7 percent of U.S. households are poor, a rate not much higher than the 5.2 percent to 7.6 percent in seven European countries, and below the 12.4 rate of the United Kingdom. Meyer and Wallace show that relative poverty in the United States is higher than in most other advanced economies primarily because workers earn relatively less in the United States and a smaller percentage of poor families receive government benefits than do poor families in these countries.

Poverty rates vary dramatically by family structure. In Chapter 3, Maria Cancian and Deborah Reed explain that interrelated changes in family formation and in women's and men's employment since the 1960s have led to substantial changes in who is poor, and why. Over these decades, fewer people have married, more marriages have ended in divorce, and more unmarried women have had children. As a result, children are now much more likely to live with only one parent—usually their mother. Single-parent families generally rely on at most one adult worker, and are much more likely to be poor than married-couple families. All else equal, changes in family structure have been poverty-increasing.

However, related changes among women have been poverty-reducing. For example, their increased work effort—especially work by married mothers of young children and single mothers—has largely offset the poverty-increasing effects of changing family structure. The increased antipoverty impacts of mothers' market work underscore the need to increase their labor market flexibility and provide parents with additional supports, such as access to subsidized child care and paid leave for caregiving, that promote both employment and caring for their children (Waldfogel, chapter 9). It also highlights the key role of jobs and the labor

market in determining poverty rates. In the current economic and policy environment, recessions are likely to have larger poverty-increasing effects than in the past because families rely more on wages and less on government benefits.

Most nonelderly adults, including the poor, rely primarily on their own earnings and the earnings of other family members. In Chapter 4, Rebecca Blank examines how recent changes in employment and labor market opportunities for less-educated workers have increased their risk of poverty. Blank shows that the number of jobs for less-educated workers has increased substantially, but that many jobs no longer pay wages sufficient to avoid poverty and that labor market outcomes for less-educated men and women have diverged.

Among nonelderly men with less than a high school degree, labor force participation fell from 79 percent to 73 percent between 1979 and 2006. If increased incarceration, especially among less-educated black men, were considered, this decline in labor force participation would have been even greater. Also, inflation-adjusted full-time weekly wages for high school dropouts fell from \$548 to \$388 between 1979 and 1994, rising to \$426 by 2006—still below their 1979 values.

At the same time, women in all education categories worked more. Among less-educated women, growth in participation was concentrated in the 1990s, when declines in the availability of cash welfare and expansion of the Earned Income Tax Credit (EITC) both made employment more attractive to single mothers. Weekly wages for women high school dropouts who worked full time grew modestly from \$300 to \$334 between 1970 and 2006, but their standing improved substantially relative to male dropouts, whose real wages declined.

Blank emphasizes that low-income families are more reliant on earnings after the 1996 welfare reform than in previous decades. She predicts that the recession that began in December

2007 will cause poverty to rise to about 15 percent, similar to the rates during the recession of the early 1980s and the recession of the early 1990s. The sensitivity of the poverty rate to the business cycle makes maintaining low unemployment rates and raising the earnings of less-educated workers central to any reforms of current antipoverty policies.

The portion of U.S. residents who were born in another country has grown dramatically from 4.8 percent in 1970 to 12.4 percent in 2003. In Chapter 5, Steven Raphael and Eugene Smolensky show how poverty varies by race, ethnicity, and nativity, and estimate the contribution of this increased immigration to the overall poverty rate. They examine both the poverty status of recent immigrants and their children, and the effects of immigration on the wages of native workers.

Raphael and Smolensky show that in the 1980s and 1990s immigrants were more likely to be poor because the share of all immigrants who are from Western Europe has declined and the shares from Mexico and Southeast Asia have increased. Their synthetic cohort analysis shows that the differential between immigrant and native poverty rates falls quickly with time in the United States since immigration, in part because some less-successful immigrants return to their country of origin. About ten to twenty years after they arrive in the United States, most immigrants have poverty rates roughly similar to those of native-born residents. Thus, despite increased immigration, Raphael and Smolensky conclude that immigrants raise the overall poverty rate by only about one percentage point.

Does competition from immigrants in the labor market lower wages and increase poverty among native workers? Raphael and Smolensky show that the distribution of skills of immigrants and native workers differ substantially, and suggest that increases in the supply of immigrants with few years of schooling might actually raise the wages of native workers with

higher levels of education. They estimate a range of potential effects of immigration on wages, and conclude that increased immigration had at most modest effects on the poverty status of natives.

### Mobility and Its Consequences

What are the consequences of poverty for future productivity and well-being and how likely is it that poor children become poor adults? The chapters in Section II address these issues. In Chapter 6, Katherine Magnuson and Elizabeth Votruba-Drzal review the evidence on the long-term consequences of childhood poverty. About a third of all children will be poor at some point, and one in ten will spend more than half their childhood in poverty. Black children and children born to single mothers or mothers with low levels of education are much more likely to spend many years in poverty.

Children who grow up in poverty are more likely to experience poor outcomes in later life. However, measuring the causal effects of poverty itself is difficult. Magnuson and Votruba-Drzal review alternative theoretical perspectives and methodological approaches to identifying the enduring consequences of childhood poverty. They conclude that the causal impact of poverty on academic and labor market achievement are likely to be modest, and that poverty has only small direct effects on negative child behaviors and health outcomes. They conclude that both increased government benefits for families with young children and expanded educational programs for poor children could improve poor children's life chances when they become adults.

In Chapter 7, Markus Jäntti analyzes the extent to which poverty persists across months, years, and generations. If poverty were measured on a monthly, rather than annual, basis, the overall poverty rate would be much higher—about one in five Americans experiences at least two months of poverty-level income in a given year. On the other hand, most families

experiencing poverty this year will not be poor next year. Groups that are more likely to be poor—including single-mother families and families with less-educated heads—are also more likely to be persistently poor.

Persistent poverty is, by definition, less common than poverty measured over a shorter period of time. Jäntti provides comparable data on poverty dynamics in other developed countries. The United States has relatively high levels of poverty, but some contend that its competitive market system that makes individuals vulnerable to annual income fluctuations also provides more opportunities to move up the economic ladder. However, Jäntti documents that the United States has relatively high levels of persistent poverty, and lower intergenerational mobility than other advanced nations. For example, sons of poor fathers in the United States are more likely to themselves be poor adults than is the case for sons of poor fathers in other countries.

### The Evolution and Scope of Antipoverty Policies

The chapters in Section III analyze alternative policies to combat poverty. In chapter 7, John Karl Scholz, Robert Moffitt, and Benjamin Cowan examine trends in income support programs. They document important changes in the size and structure of programs that provide benefits for low-income families, including cash welfare (AFDC/TANF), Supplemental Security Income (SSI), the EITC, Medicaid, and Food Stamps. Since the early 1980s, total inflation-adjusted spending on low-income families has grown only modestly (except for spending on medical care), and the pattern of spending has changed, with increased spending on low-income workers and decreased benefits for those who are unwilling to work or who cannot find jobs. In addition, the share of antipoverty expenditures going to the poor has declined, as has the

percentage of the poverty gap filled by transfers, signaling a shift in expenditure away from the very poor (who tend to be nonworkers) to the near-poor and nonpoor (who tend to be workers).

Social insurance programs are not specifically designed to reduce poverty because they provide benefits to people of all income classes who have made payroll contributions and/or whose employers have made them. However, social insurance programs, such as Social Security and Medicare, play an important role in reducing poverty and economic hardship, especially for the elderly. Inflation-adjusted spending on these programs has grown rapidly since the mid-1960s. Because social insurance programs are so large, they fill a greater share of the poverty gap than is filled by means-tested transfers.

Our patchwork safety net provides very different levels of support to poor families in different circumstances. Current expenditures, amounting to about 1.8 percent of GDP in 2005, are low by historical standards, and as a share of GDP are only one-third to one-half as large as those in other rich countries. Scholz and colleagues advocate a renewed antipoverty effort that would continue to expand resources to reward work, but also would provide a more adequate safety net for needy nonworkers.

In chapter 8, Jane Waldfogel analyzes the challenges of balancing employment and family responsibilities, and how family policies can address them. Because most poor children live in families that include a low-wage worker, reducing poverty requires programs and policies that facilitate increased parental work hours but also ones that allow parents to meet their caretaking obligations. Family leave, sick leave, flexible work schedules, and subsidized child care can all enhance a parent's ability to balance employment and caretaking. Waldfogel reviews the evidence on the effects of these programs in the United States and other countries. While

some employers provide these parental supports, limited and uneven coverage—especially for low-wage workers—suggests the need for public policy changes.

Low-wage working parents, especially single parents, need additional wage supplements, such as higher child tax credits and higher EITC benefits, and enhanced child support enforcement to increase payments from nonresident parents. Waldfogel also reviews the potential of pregnancy prevention and marriage promotion efforts to reduce the proportion of children living in single-parent families. She concludes that such policies cannot be expected to bring about a dramatic reduction in the number of single-parent families.

Improving the education and training of low-income children and adults has been the cornerstone of our long-term antipoverty strategy since the War on Poverty. In chapter 10, Brian Jacob and Jens Ludwig review what is known about how to improve educational outcomes for poor children who do not fare well in the current education system. For example, there are large disparities in achievement test scores between those who are eligible for free school lunch and those with incomes above the program cutoff, and large disparities by race, with white students outperforming students from most minority racial and ethnic groups.

Jacob and Ludwig document that many complex factors contribute to these achievement disparities—schools serving poor children often have fewer resources, are not always using resources optimally, and are limited in the extent to which they can make up for the disadvantages poor students and their families face outside of school. They review recent education policy evaluation research that has identified several cost-effective interventions that can substantially reduce income and racial disparities in educational outcomes. These include interventions that require major public investments—expanded early childhood education and

class-size reductions, for example—as well as less-costly curriculum reforms and policies that improve school accountability.

Even though improving access to educational and labor market opportunities has been an important policy goal for decades, federal funding for education and training programs for adult workers has declined dramatically since the early 1980s, a period during which the labor market rewards for skills have increased. In chapter 11, Harry Holzer argues that there is compelling evidence for additional investments in workforce development as an antipoverty strategy to raise the employment and earnings of workers who have been most negatively affected by the labor market changes of the last several decades.

In part, the decline in federal funding reflects dissatisfaction with the inability of many previous workforce development programs to raise the employment and earnings of disadvantaged adults. However, Holzer notes that investments in some programs have produced modest, but cost-effective, results and that recent innovations are promising. These include training programs that consider the local labor market demand for certain types of workers, that coordinate worker training with employers or industries that offer well-paying jobs, and that provide additional support services that address potential employment barriers such as child care or transportation. Holzer proposes a strategy for consolidating existing workforce development programs, increasing and better targeting investments, and continuing evaluation efforts to make workforce development programs more effective.

Katherine Swartz addresses the challenge of providing health care for the poor in chapter 12. Publically provided health insurance is available through Medicare, Medicaid, and since the late 1990s, the State Children's Health Insurance Program (SCHIP). Eligibility expansions in these public programs, and reductions in employer provision of insurance, especially for low-

wage workers, have led to a rising share of the population receiving coverage from public programs and concerns about rapidly rising costs. In 1970, Medicaid spending accounted for 1.4 percent of the federal budget, and 9.7 percent of state spending; by 2006, it accounted for 6.6 percent and 21.5 percent of federal and state expenditures, respectively. As Swartz details, rising costs have led the federal and state governments to pursue a variety of cost-cutting strategies.

There are also concerns about the quality of care provided by public health insurance programs, especially for the elderly and disabled, and lack of coverage, especially for poor nonelderly adults, those with mental health and substance abuse problems, and immigrants. Another concern is the potential “crowding out” of employer-sponsored insurance, especially as Medicaid expansions and SCHIP have expanded eligibility for the children of most low-wage workers. These concerns, as well as pressures arising from increasing costs, require a serious reevaluation of the structure of public health insurance, its financing, and coverage.

Swartz concludes that a national system of health insurance is the best approach for resolving issues related to rising costs and access to care, because they cannot be adequately addressed by our current patchwork system of public insurance for certain groups, such as the elderly and poor children. She also recommends increased federal support for training of primary-care providers knowledgeable about the health care needs of low-income families, and renewed efforts to provide low-income families with preventative health information.

### The Politics of Poverty and Its Meaning in a Rich Country

The final section of the volume informs our understanding of poverty and the potential for policy changes. In chapter 13, Mary Jo Bane discusses changes in the politics of antipoverty policy and changes in public attitudes toward the poor following the 1996 welfare reform and suggests how political strategies might be changed to facilitate the adoption of new antipoverty

policies. She concludes that “Welfare as we know it has indeed ended” because of the dramatic decline in the cash-assistance caseload and because state and county welfare departments now play a smaller role in the lives of the poor. Many social services are being delivered instead by private for-profit and nonprofit agencies, including faith-based organizations.

Bane also shows that the 1996 welfare reform legislation removed negative comments about welfare recipients from political campaigns, but also notes that this has not led the President and Congress to consider a post-welfare reform, antipoverty agenda. (The major exception was John Edwards’ unsuccessful 2008 campaign for the Presidential nomination.). However, new antipoverty programs have been implemented in some states and cities.

Bane notes several factors that limit the prospects for sustained antipoverty efforts. First, the federal budget deficit was dramatically increased by the recession that started in 2007, the financial bailouts, and the 2009 stimulus bill. This will at some point limit the ability of any presidential administration to make permanent increases in social spending. In addition, the increased influence of the affluent in politics and the contentious immigration policy debates make it difficult to change negative public perceptions about the “poor.”

Bane suggests that policymakers should consider changing their language. Instead of “helping the poor,” they should focus on “helping people who can’t take care of themselves,” “aiding struggling working families,” and “guaranteeing food and shelter.” She also suggests that American policy analysts should pay more attention to the high poverty rates in developing countries, both because globalization has increased linkages between countries and because immigration to the United States would be likely to fall as living standards increase in sending countries, such as Mexico.

In the final chapter, Robert Haveman describes the history of the official poverty measure and a number of suggestions for how it might be revised. He also compares the official measure to alternative concepts of economic poverty, including relative poverty, which compares a family's income not to a fixed poverty line, but to the society's overall living standard. He discusses poverty measures that are based on consumption or assets instead of family income. And, he contrasts poverty measures with broader conceptions of poverty and deprivation, such as indicators of material deprivation and "social exclusion," a concept recently developed in the European Union and the United Kingdom.

Haveman endorses the European view that rich societies require measures that track progress in meeting many dimensions of needs of their least well-off citizens; that income alone fails to capture the complex situation in which the most deprived citizens find themselves. Additional dimensions of concern include indicators of educational attainment (such as having less than a high school degree); labor force and employment status (such as living in a jobless household); living in poor-quality housing (for example, crowding, lacking plumbing or kitchen facilities); health and disability status (for example, number of disabling conditions, presence of a mental health problem); vehicle availability; and being linguistically isolated.

He suggests that these measures would provide important information on the effectiveness of programs that seek to reduce deprivations that are not reflected in measured income. For example, because U.S. policies are designed to increase access to food, housing, transportation, medical care, education/training, and employment, we should have direct measures that reflect our progress or lack of progress on these dimensions.

## CHANGING POLICIES TO REDUCE POVERTY IN THE TWENTY-FIRST CENTURY

Given current economic, demographic, and public policy contexts, poverty is not likely to fall substantially in the near future. This was evident even before the severe recession that began in December 2007 and the world economic crisis that began in fall 2008. Although the chapter authors agree on this pessimistic forecast, they are optimistic that poverty can be reduced significantly in the long term if the public and policymakers can muster the political will to pursue a range of promising antipoverty policies. The policies proposed by the authors would bring about changes in the labor market, in family policies, in schools, and in the health care system that would raise the employment and earnings and reduce the expenses of low-income families and increase opportunities for their children. Our own high priority antipoverty policies, a subset of the policies discussed in the chapters that follow, are based on three fundamental assumptions about trends in work effort, patterns of family formation, and continuing changes in how the globalized economy affects the employment and earnings prospects of less-educated workers.

First, our proposals are based on the assumption that own earnings, and not government cash benefits, will remain the primary source of family income for most adults who are not elderly and not disabled. Although some analysts have made the case for providing welfare benefits to single mothers who stay home to care for their young children, for example, we do not anticipate that an income-tested cash entitlement program like Aid to Families with Dependent Children will be reinstated. We also do not expect the adoption of a guaranteed annual income such as a negative income tax, even though both President Nixon and President Carter proposed such programs in the late 1960s and mid-1970s (Moffitt 2004). Since the early 1980s, and especially in the aftermath of the 1996 welfare reform, public policy changes have

increased the extent of income support for the working poor and reduced cash benefits for the nonworking poor who are not elderly or disabled (Scholz, Moffitt, and Cowan, this volume; Bane, this volume). We see no evidence to suggest that this pattern will be reversed.

The elderly and persons with disabilities are generally not expected to work to support themselves.<sup>7</sup> However, the expectation of work has evolved so that it now includes most adults. In 1969, in defending his proposed negative income tax, the Family Assistance Program, President Nixon stated that “It is not our intent that mothers of preschool children must accept work.” In contrast, the 1996 welfare reform allows states to set their own expectations for work; some states now require new mothers to participate in work-related activities once their child is three months old. Even though Magnuson and Votruba-Drzal and Waldfogel document that requiring mothers to return to work shortly after giving birth has negative implications for child development, the evolution of public policy since the 1980s suggests that work will be expected and exemptions from the work requirement will continue to be restricted. Thus, as we prioritize antipoverty policy proposals, we assume that most adults, including the parents of young children, will work for pay.

Our second assumption relates to changes in societal attitudes about marriage and childbearing and the changes in family structure that have occurred since the 1960s. We assume that many children will continue to be born to unmarried parents or will spend part of their childhood living with a divorced parent. Children who spend all or most of their childhood living with only one biological parent (usually their mother) have a much higher risk of poverty than children living with two parents. Reducing nonmarital births, especially teen births, is a longstanding social policy goal, and marriage promotion policies are a recent policy innovation. However, even if these public efforts to change family formation patterns and fertility behaviors

have effects that are larger than we expect (Cancian and Reed this volume; Waldfogel this volume), it is likely that they will only modestly reduce the total number of families with children that are poor. In part, this is because the noncustodial fathers of unmarried mothers tend to have poor labor market prospects and low annual earnings, so even if these parents marry, they are likely to have a poverty rate that is much higher than the rate for currently married couples (Carlson, McLanahan, and England 2004).

Our third assumption deals with the labor market prospects of workers with no more than a high school degree. As Blank (this volume) notes, even though the economy has produced a substantial increase in the number of jobs since the 1970s, the inflation-adjusted wages of the least-educated workers, especially men, were no higher in 2006 than in 1973 and their employment rates were lower. Thus, we assume that for the foreseeable future, the labor market will not be characterized by the consistent wage growth or the number of high-wage jobs that became available in the quarter century following World War II. As a result, we expect that many less-educated workers will continue to have difficulty earning enough on their own to support a family.

Economists have not been successful in making long-term macroeconomic projections. As noted above, in the early 1970s, the nation's leading poverty researchers predicted that poverty would be eliminated within a generation. Their projections were based on assumptions that were reasonable at the time—they expected the economy to grow rapidly and to continue to raise real wages for less-educated workers as had been the case for the previous quarter century. Notwithstanding the difficulty of predicting future economic trends, we see little reason to expect dramatic growth in wages for workers at the bottom of the labor market. Indeed, the recession that began in December 2007 has already led to significant job loss and put downward pressure

on wage rates. We thus assume that the uneven economic growth of the past thirty-five years will continue, and hence, on its own, will not significantly reduce poverty.

Given these three assumptions about trends in work, family structure, and the antipoverty effects of economic growth, we conclude that an antipoverty policy agenda for the twenty-first century should pursue three fundamental goals. The first is “to make work pay,” or, as David Ellwood (1988) wrote two decades ago—if you work hard and play by the rules you should not be poor. This requires that government regulations about wages and working conditions (such as the minimum wage or the ability of workers to unionize) and government benefits for low-wage workers (such as the Earned Income Tax Credit or subsidized child care) should allow most workers to avoid poverty.<sup>8</sup> Because the 1996 welfare reform greatly reduced access to cash welfare, there is an additional need for policies to provide work opportunities for those who are willing to work but cannot find steady employment either because of poor economic conditions or because they face substantial employment barriers (such as physical health and mental health problems, learning disabilities) that make it difficult for them to work steadily.

The second goal has received less attention in the United States than in other industrialized nations—to provide sufficient support to parents so that those in both one-parent and two-parent families can work not only steadily, but also flexibly. This would help working parents to devote sufficient time to parenting and care-giving. Balancing responsibilities as a parent and a worker is a challenge for all families—one- and two-parent families, low-income and high-income families. However, work-family balance issues are particularly difficult to resolve for single parents who have less time for family responsibilities than married couples, and for most parents with limited financial or community resources.

The third goal reiterates a key goal of the War on Poverty—increased investments in education and training over the life course to raise employment and earnings. We need changes in our early childhood and K-12 educational policies to raise the educational attainment and abilities of poor children, and policy changes in “second-chance” workforce development programs to raise the skills of disadvantaged young adults. Americans have always favored providing a “hand up” to promote labor market opportunities instead of a “hand out” to reduce poverty. However, disparities in educational opportunities persist (Jacob and Ludwig this volume) and support for education and training programs for disadvantaged youth and adults has fallen dramatically since the early 1980s (Holzer this volume).

### Making Work Pay

A work-centered antipoverty strategy requires a robust economy that provides high levels of employment and job growth. However, a growing economy on its own is not likely to do enough to raise the earnings of many less-educated workers above the poverty line because, since the early 1970s, wage growth for less-educated workers was substantial only in the last half of the 1990s. Making work pay for today’s adult workers thus requires policy changes to increase the proportion of jobs with wages sufficient to support a family, and larger wage supplements and expanded work supports to “make work pay” for those who earn low wages.

A fundamental step in making work pay is a well-functioning labor market that rewards workers with the same skills equally, without regard to race, ethnicity, or gender. There has been substantial progress in reducing gender discrimination in access to occupations and in wages since the 1960s, as women’s employment and earnings have increased relative to those of men. And, compared to the situation in the 1960s, racial and ethnic earnings disparities have narrowed. However, in some domains, disparities in employment opportunities and wage gaps

between white non-Hispanics and racial and ethnic groups have widened. For example, young black men face substantially reduced labor market opportunities relative to similar white men; this both reflects and contributes to high levels of incarceration (Pager 2007; Western and Wildeman 2009). Reducing labor market discrimination should be a higher priority for public policy than it has been in recent years.

Several other policy changes can raise the wages of less-educated workers. Between the early 1960s and early 1980s, the minimum wage in 2007 dollars ranged between about \$7.00 and \$8.50 per hour. Because Congress increased the minimum wage only a few times in the next 25 years, it ranged between \$6.00 and \$7.00 (in 2007 dollars) in most years since the mid-1980s. The minimum wage was constant in nominal terms at \$5.15 per hour from 1997 to 2007 when Congress passed a three-part increase to \$5.85 in July 2007 to \$6.55 in July 2008 and to \$7.25 per hour in July 2009. A higher minimum wage that maintains its real value by being indexed to inflation or to average wages would be an important step in making work pay. The Obama administration has proposed raising the minimum wage to \$9.50 by 2011 and indexing it for inflation (<http://www.whitehouse.gov/agenda/poverty/>).

Expanded income supplements for low-wage workers are needed. The Earned Income Tax Credit (EITC) provides substantial support for low-income families with children, without reducing work incentives (Scholz, Moffitt, and Cowan this volume). The EITC is available to both one- and two-parent families. In addition, almost half of all states have implemented a state EITC on top of the federal one. The maximum federal EITC for a family with two or more children (in current dollars) was \$400 in 1975, \$550 in 1986, \$953 in 1991, and \$4,824 in 2008. In 2008, the maximum EITC for a family with one child was \$2,917; however, for a single person or a married couple without children it was only \$438.

Adam Carasso and colleagues (2008) compare four recent proposals for EITC expansions that increase work incentives for childless workers. They highlight the tradeoffs inherent in alternative designs; expanded credits for single individuals can increase marriage disincentives, but proposals that avoid marriage penalties are more expensive. While policymakers will have to balance competing goals in developing specific reforms, expanding the EITC to childless workers would broaden the commitment to encourage work and reduce poverty for those who are working, but face low wages (see Berlin 2007).

Even before the economic downturn began in late 2007, there was a clear need for policies to increase the employment of those who want to work, but cannot find steady employment. In addition to those affected by unemployment fluctuations over the business cycle, applicants for these jobs are likely to include those who have exhausted eligibility for cash welfare or who have difficulty getting and keeping jobs because of low skills or other employment barriers, such as a criminal record or physical health or mental health problems.

Public service employment programs have not been politically popular since the Great Depression and have not operated since the early 1980s when President Reagan terminated the last such program (the Comprehensive Employment and Training Act, CETA). However, because the availability of government assistance has been linked with work, there is a need for a transitional jobs-of-last-resort program. Workers in last-resort jobs might be expected to perform socially beneficial tasks for which there is little effective labor demand, such as labor-intensive public services in disadvantaged communities that are generally provided in affluent ones—monitoring of playgrounds after school hours, neighborhood maintenance, and assisting the elderly. Jobs could be time-limited and offer wages slightly less than the minimum wage, thereby providing an incentive for workers to accept available private sector jobs. The Obama

administration has endorsed “transitional jobs and career pathway programs that implement proven methods of helping low-income Americans succeed in the workforce”

(<http://www.whitehouse.gov/agenda/poverty/>).

Because the United States lacks universal national health insurance, work does not pay for some families that are eligible for Medicaid only if they do not work or work little. The State Child Health Insurance Program (SCHIP) implemented in the late-1990s, and Medicaid expansions from the late 1980s to the mid-1990s, have guaranteed access to subsidized health care coverage for all poor and low-income children. SCHIP could be extended to poor and near-poor adults who lack coverage. For example, Wisconsin has developed BadgerCare, which serves Medicaid and SCHIP beneficiaries, and has effectively expanded subsidized coverage to the parents of low-income children.

#### Supporting Parents on the Job and at Home

An antipoverty strategy that assumes that most nonelderly, non-disabled adults will work must consider programs, provided by firms and/or governments, which enable working parents to properly care for their children and sick or disabled family members. Examples include access to affordable child care and to jobs that allow enough flexibility for workers to meet their family obligations. Single parents are more likely to need subsidized child care and workplace flexibility than married couples, as they are generally less able to rely on another adult for financial or logistical support. Also needed are policies that strengthen the incentives for, and capacity of, nonresident parents (typically fathers) to earn enough so that they can pay child support. Transitional jobs of last resort and “second chance” training programs are two such programs that would help both custodial and noncustodial parents.

Magnuson and Votruba-Drzal (this volume) and Jacob and Ludwig (this volume) document that public investments in poor young children serve multiple purposes. Early childhood education enhances school readiness and reduces disparities in later outcomes, such as high school graduation and the risk of becoming a teen parent or a delinquent. However, even if the long-term gains from early childhood programs are small, making adequate child care affordable for low-income families facilitates stable parental employment in the short-run.

Public funding for child care increased substantially following the 1996 welfare reform, but many low-income parents still have difficulty finding adequate child care, especially for very young children. Such care is expensive and there is a shortage of child care facilities, especially in low-income communities. Our assumptions about the need for parents to work to escape poverty and the fact that many children spend part of their childhood living with one parent strongly suggest the need for increased public subsidies for child care.

The recent Wisconsin experience after the 1996 welfare reform is instructive. It implemented a demanding work requirement for welfare mothers and dramatically cut the welfare rolls. At the same time, it greatly expanded the number of low-income families who received child care subsidies as the reduced spending on cash benefits was shifted to child care. Other states also increased spending on subsidized child care after welfare reform, so national spending on subsidized care increased from \$5.3 to \$12.0 billion between 1997 and 2006 (in constant 2006 dollars; U.S. Department of Health and Human Services). Notwithstanding this growth, recent estimates suggest that only about a third of eligible low-income families receive subsidies (Mezey, Greenberg, and Schumacher 2002; Assistant Secretary for Planning and Evaluation 2005). However, as discussed below, the American Reinvestment and Recovery Plan (the 2009 economic stimulus package) includes proposals for further expansions.

Working parents also need flexibility at work so that they do not have to choose between keeping their job and adequately parenting their children. For example, many low-income workers have limited sick leave and inflexible work hours, making it difficult for them to deal with the unexpected demands of child-rearing. As Waldfogel points out, the United States does not have paid parental leave—many low-income mothers give up their jobs to give birth.

Workplace flexibility is a key aspect of antipoverty policy for three reasons. First, single parents, who are overrepresented among the poor, are more likely to be the only adults available to manage their children's health, education, and other needs. They are more likely than married parents to need sick leave, family leave, and other flexible work policies. Second, low-wage workers are more likely than other workers to have jobs that lack fringe benefits, such as employer-subsidized health insurance, paid sick leave, and vacation days. Finally, compared to other families, low-income families are less able to buy market substitutes—from child care to prepared meals—and are more likely to have long commutes on public transportation and live in neighborhoods where safety is an issue and more parental supervision of children is required.

Waldfogel advocates parental support policies that build on recent experience in the United Kingdom. In the U.S. context, such policies might include eight to twelve weeks of paid parental leave after birth or adoption for all workers, funded by a payroll tax and operated like other social insurance programs; an employer mandate to provide two weeks of annual paid leave for family illness or other family responsibilities; and the right for parents of young children to request part-time work or flexible hours.

As noted, most low-income children will spend a substantial part of their childhood in a single-parent family. This highlights the importance of child support system reforms that raise the support received by resident parents. Child support enforcement policies have been

strengthened over the past several decades and most children living with only one parent have a legally established nonresident parent who has been ordered to pay child support. However, even though both paternity establishment (for children born outside of marriage) and child support order establishment rates have grown over time, most poor single mothers do not receive the amount of child support that the courts have ordered (Cancian and Meyer 2006).

Making child support a consistent source of income for single parents requires several related efforts. Because nonresident parents cannot pay support if they do not have income, efforts to raise their employment and earnings are needed. When nonresident parents do pay support, their payments should benefit their children—not offset public welfare or medical assistance paid by the state (Cancian, Meyer, and Caspar 2008).

### Investing over the Life-Course

At the outset of the War on Poverty, President Johnson's economic advisors thought that because most high school graduates at that time could earn enough to support a family on their own, their task was to invest in young children to raise educational attainment and, hence, reduce poverty by raising employment and earnings in the next generation. Educational policies remain appealing to the public, but in the short term they are more expensive than policies that raise the annual incomes of poor families. For example, the target group for early childhood programs that increase the cognitive and non-cognitive skills of young children from low-income families includes all children at high-risk of becoming poor adults. And, the payoffs from these programs—increased educational attainment, employment and earnings and lower rates of incarceration and nonmarital births when these children reach adulthood—are not evident for many years.

As noted, economic changes since the 1970s have eroded the labor market prospects of workers who have no more than a high school degree. Thus, if we are to reduce poverty among future labor force entrants, we must raise the high school graduation rate and the skills of these graduates, and ensure that a greater percentage of graduates go on to earn two-year community college degrees and certificates and four-year college degrees. Although the provision of a high-quality public school education for all children is not a controversial policy goal, the current education system falls well short of providing low-income students the skills they need to succeed in the twenty-first century labor market.

Jacob and Ludwig and Magnuson and Votruba-Drzal document the importance of expanding the scope of early childhood education for low-income children (three-, four-, and five-year-olds). Head Start was a featured program of the War on Poverty. Yet, four decades later, many poor pre-school children do not participate in early education programs. It is time to guarantee early childhood education to all poor children. The Obama administration has proposed such an expansion, including a comprehensive federal program for children from “zero to five” (<http://www.whitehouse.gov/agenda/education/>), and doubling the Early Head Start program as part of the American Reinvestment and Recovery Plan ([http://www.whitehouse.gov/assets/Documents/Recovery\\_Plan\\_Metrics\\_Report\\_508.pdf](http://www.whitehouse.gov/assets/Documents/Recovery_Plan_Metrics_Report_508.pdf)).

Holzer documents that workforce training programs, another highlight of the War on Poverty, have withered away since the 1980s. Given the increased employer demand for labor market skills, it is important to expand funding for Pell Grants for low-income college students and to expand workforce development programs that have raised the employment and earnings of high school dropouts and high school graduates. The 2009 economic stimulus plan included

an increase in the maximum Pell grant and a new tax credit for college students ([http://www.whitehouse.gov/assets/Documents/Recovery\\_Plan\\_Metrics\\_Report\\_508.pdf](http://www.whitehouse.gov/assets/Documents/Recovery_Plan_Metrics_Report_508.pdf)).

## CONCLUSION

Taken as a whole, the chapters that follow provide a careful review of the evidence concerning economic changes, demographic changes, and public policy changes since the declaration of War on Poverty. They demonstrate that, in the absence of a comprehensive expanded antipoverty strategy, there is little reason to expect substantial progress in reducing poverty. In the quarter century following the election of President Reagan in 1980, the public and policymakers were unwilling to spend more on antipoverty programs. In part because of dissatisfaction with the policies of the prior quarter century and in part because the economic crisis of 2008 has justified increased government spending, the Obama administration has endorsed many of the policies that are analyzed in the chapters that follow. These include policies that can raise the employment and earnings of low-income parents, help parents better balance their work and family obligations, and raise the educational attainment and skills of the next generation. Despite the challenges created by the economic downturn that began in late 2007, there are reasons for optimism about prospects for reducing poverty.

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## Notes

We thank Laura Dresser, Harry Holzer, Jennifer Noyes, Joe Soss, and two anonymous reviewers for helpful comments on a previous draft, and Deborah Johnson for editorial assistance.

<sup>1</sup>The Census Bureau has published the official poverty rate for each year since 1959. Poverty rates for whites and blacks are available since 1959; poverty rates for Hispanics, since 1972. Christine Ross, Sheldon Danziger, and Eugene Smolensky (1987) adjust the official poverty lines back to 1939 in the same manner as they are officially brought forward—that is, they are adjusted each year only for changes in the consumer price index. Robert Plotnick et al. (2000) discuss the historical trend in poverty starting in the early twentieth century.

<sup>2</sup>The National Research Council report discusses measuring racial discrimination and the distinction between explicitly discriminatory treatment versus treatment that has a “differential effect” by racial group (Blank et al. eds. 2004).

<sup>3</sup>Steven Raphael and Eugene Smolensky (this volume) analyze immigration-related changes in the composition of the Hispanic population, and their consequences for the Hispanic and the overall poverty rates.

<sup>4</sup>Maria Cancian and Deborah Reed in this volume discuss racial and ethnic differences in marriage and childbearing.

<sup>5</sup>Robert Haveman (this volume) and Daniel Meyer and Geoffrey Wallace (this volume) discuss the difficulties that arise in cross-national comparisons of poverty. Nonetheless, by most widely-accepted measures of poverty, the United States has higher poverty rates than most other rich countries.

<sup>6</sup>Relative poverty lines, like 50 percent of the median, are widely used in European countries.

<sup>7</sup>The Supplemental Security Income (SSI) program, adopted in the early 1970s, provides a guaranteed monthly income of \$627 for a single recipient with no other income in 2008. SSI recipients also automatically qualify for Medicaid. The program is an entitlement for the low-income elderly and qualifying disabled persons.

<sup>8</sup>“People who are willing to work as much as society deems reasonable ought to be able to support their families at or above the poverty level without relying on welfare or welfare-like supports” (Ellwood 1988, p.12).