

**Poverty, Work, and Policy:
The United States in Comparative Perspective**

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I. Introduction

Chairman McDermott and members of this subcommittee, we thank you for the opportunity to testify before you. We sincerely applaud your willingness to examine the issue of poverty in the United States in comparative perspective. We hope our testimony is of great use to those on this panel and others who care about our most economically vulnerable families and disadvantaged children, especially.

The United States has a long tradition of measuring income poverty and weighing the effectiveness, successes, and failures of government policies aimed at poverty reduction. But for the most part, examinations of United States domestic antipoverty policy are inherently parochial, for they are based on the experiences of only our nation in isolation from the others. The estimation of cross-nationally equivalent measures of poverty and the comparison of programs that help reduce poverty, provide a unique opportunity to compare poverty rates and the design and effectiveness of American social policy and antipoverty policy with the experiences of other nations. The Luxembourg Income Study (LIS) database, which undergirds this paper, contains the information needed to construct comparable poverty measures for more than 30 nations. It allows comparisons of the level and trend of poverty and inequality across several nations, along with considerable detail on the sources of market incomes and public policies that in large part shape these outcomes.

In this paper we use cross-national comparisons made possible by the LIS to briefly examine America's experiences in fighting poverty in the face of substantial and rising economic inequality, in a cross-national context. In so doing, we compare the effectiveness of United States antipoverty policies to those of similar nations elsewhere in the industrialized world. We attempt to answer the following questions:

- Do other countries have an "official" poverty line in the sense that the United States does, or do they define poverty in a sort of de facto sense based on eligibility for various government programs?
- How do poverty rates in other countries compare with the United States poverty rates?
- What are the big drivers of poverty in the United States compared to other countries, with low wages, low-skill immigrants, and large numbers of single-parent families being the most prominent candidates?

We believe that there are lessons about antipoverty policy that can be learned from cross-national comparisons. While every nation has its own idiosyncratic institutions and policies, reflecting its values, culture, institutions, and history, wide differences in success and failure are evident from the comparisons that follow. And, there is evidence that such policies are becoming internationalized in their spread and evaluation (Banks, et. al. 2005; Francesconi and van der Klaauw 2007).

We begin by reviewing international concepts and measures of poverty, as they relate to the main measures used in domestic United States discourse. We follow with a discussion of the relationship between policy differences and outcome differences among the several countries, and consider the implications of our analysis for antipoverty policy in the United States. While all nations value low poverty, high levels of economic self-reliance, and equality of opportunity for younger persons, they seem to differ dramatically in the extent to which they reach these goals. Most nations have remarkable similarities in the sources of national social concern: births outside of wedlock and lone parent families; older women living alone; high unemployment; immigration pressures; low wages; and the sustainability of social expenditures in the face of rapid population aging and rising medical care costs. But they also exhibit differences in the extent to which working age adults mix economic self-reliance (earned incomes), family support, and government support to avoid poverty. And, in such comparisons the United States does not always look very supportive of work or low-income families.

II. Cross-National Comparisons of Poverty and Inequality: Methodology and Measurement

Who Measures Poverty and How?

Differing national experiences in social transfer and antipoverty programs provide a rich source of information for evaluating the effectiveness of alternative social policies in fighting poverty. While most rich nations share a concern over low incomes, poverty measurement began as an Anglo-American social indicator. In fact, “official” measures of poverty (or measures of “low-income” status) exist in very few nations. Only the United States (U.S. Bureau of the Census 2003b) and the United Kingdom (Department of Social Security 1996; Department of Work and Pensions 2005) have regular “official” poverty series. Statistics Canada (2004)

publishes the number of households with incomes below a series of “low-income cutoffs” on an irregular basis, as does Australia.

In Northern Europe and Scandinavia the debate centers instead on the level of income at which minimum benefits for social programs should be set and on the issue of “social exclusion” (Atkinson, Cantillon, and Marlier 2005). Northern European and Scandinavian nations do not calculate low income or poverty rates. Most recognize that their social programs already ensure a low poverty rate under any reasonable set of measurement standards (Björklund and Freeman 1997).

While there is no international consensus on guidelines for measuring poverty, international bodies such as the United Nations Children’s Fund (UNICEF), the United Nations Human Development Report (UNHDR), the Organization for Economic Cooperation and Development (OECD), the European Statistical Office (Eurostat), the International Labor Office (ILO), and the Luxembourg Income Study (LIS) have published several cross-national studies of the incidence of poverty in recent years. A large subset of these studies is based on LIS data.¹

For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half of national median income. In this study, we use the 50 percent of median income to establish our national poverty lines. We could have selected 30 or 40 percent of national median income as our relative poverty threshold because it is closer to the ratio of the official United States poverty line to median United States household (pre-tax) cash income. This ratio was only 27-28 percent in 2000, as compared to 50 percent in 1963 (Smeeding 2006; Appendix Table 1). However, we have decided to stay with the conventional 50 percent level in most of our analyses. Alternatively, the United Kingdom and the European Union have selected a poverty rate of 60 percent of the median income (Eurostat 2000, Atkinson et al. 2002). Previous research suggests more or less the same results regardless of the measure chosen (Smeeding 2006).

While the United States likes to think of itself using an “absolute” poverty measure, there is no one absolute poverty measure. All poverty measures are, in some sense, relative and are chosen to be appropriate for the context in which they are used. The World Bank and the United Nations Millennium Development movement define poverty in Africa and Latin America using an income threshold of \$1 or \$2 per person per day, and in Central and Eastern Europe a threshold of \$2 or \$3 per day. In contrast, the absolute United States poverty line is six to nine

times higher than these standards and the European poverty line is almost double the United States line as a percent of median income. While we do not provide absolute poverty comparisons below, they also show the United States as having amongst the highest levels of poverty amongst all rich nations (Smeeding, 2006; Rainwater and Smeeding, 2004).

Other Measurement Issues

Comparisons of poverty across nations with LIS are based on many choices. A poverty line, a measure of resources such as (market and disposable) incomes, and an equivalence scale to adjust for family size, are all important precursors to accurate cross-national measurement of poverty status.

- Poverty measurement is based on the broadest income definition that still preserves comparability across nations. The best current definition is disposable cash and near cash income (DPI) which includes all types of money income, minus direct income and payroll taxes and including all cash and near cash transfers, such as food stamps and cash housing allowances, and refundable tax credits such as the earned income tax credit (EITC).^{2,3} We use this income definition in the analyses which follow.
- For international comparisons of poverty, the “household” is the only comparable income-sharing unit available for almost all nations. While the household is the unit used for aggregating income, the person is the unit of analysis. Household income is assumed to be equally shared among individuals within a household. Poverty rates are calculated as the percentage of all persons of each type who are members of households of each type with incomes below the poverty line. We calculate the poverty rate for all persons and for children (17 and under) using this same poverty line.
- Equivalence scales are used to adjust household income for differences in needs related to household size and other factors, such as the ages of household members. In the United States poverty literature, a set of equivalence scales is implicit in the official poverty lines, but these are neither consistent nor robust (Citro and Michael 1995). For our cross-national analysis of *relative* poverty rates, however, we use a consistent scale, which is much more commonly used in international analyses. After adjusting household incomes to reflect differences in household size, we compare the resulting adjusted incomes to the 50 percent of median poverty line. The equivalence scale used for this purpose, as in many cross-national studies, which include both children and elders, is a single parameter scale with a square-root-of-household-size scale factor.⁴

We do not address either the well-being of poor in terms of hardships, or mobility in or out of poverty. Several recent cross-national poverty studies suggest that mobility in and out of poverty is lower in the United States than in almost every other rich country (Bradbury, Jenkins, and Micklewright 2001; Goodin et al. 2001).

III. Data

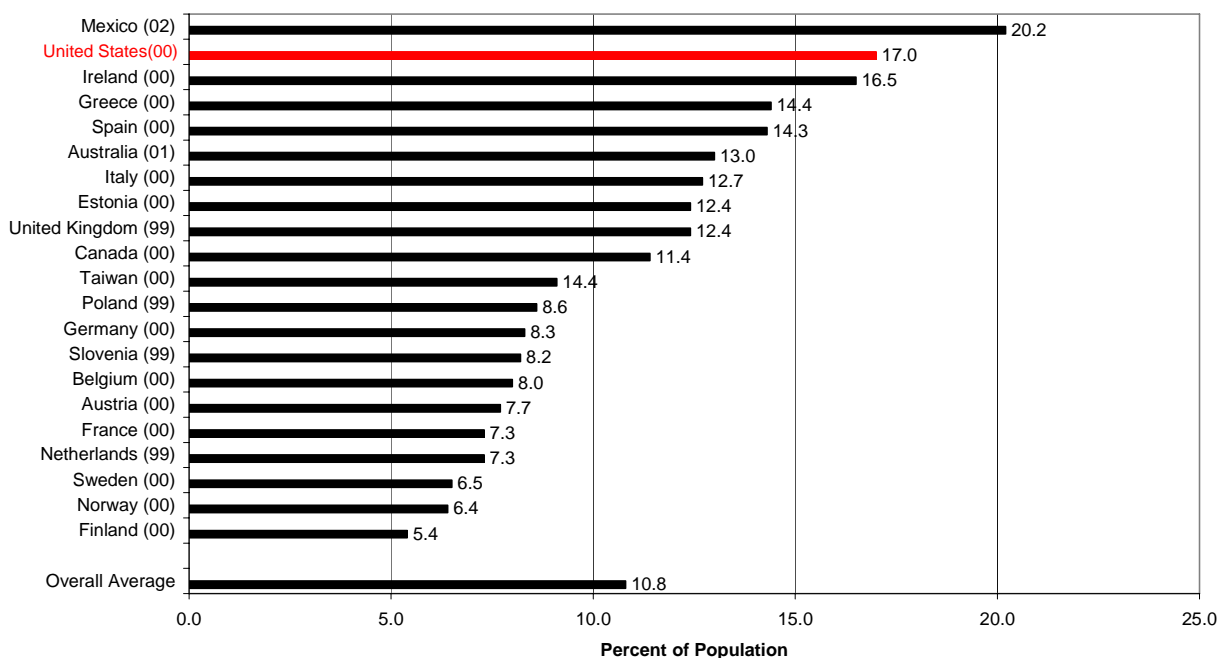
The data we use for this analysis are taken from the Luxembourg Income Study (LIS) database, which now contains almost 130 household income data files for 30 nations covering the period 1967 to 2002 (www.lisproject.org). Using this data one can analyze both the level and trend in poverty and low incomes for a considerable period across a wide range of nations. Because we are computing the level of relative poverty, and real living standards for several major policy relevant groups, we have selected 13-21 nations for this paper, each with a recent 1999-2000 LIS database. One can find relative poverty rates for all of the 30 LIS countries just by going to the LIS website and looking at the “key figures” at: (<http://www.lisproject.org/keyfigures/povertytable.htm>).

IV. Results: Level of Overall and Child Poverty

Relative poverty rates in 21 nations are given in figures 1 and 2 for all persons and for children. The overall poverty rate for all persons using the 50 percent poverty threshold varies from 5.4 percent in Finland to 20.2 percent in Mexico. The poverty rate is 17.0 percent in the United States, the second highest of all nations and the highest of all rich nations. The average rate of poverty is 10.8 percent across the 21 countries (Figure 1).

Higher overall poverty rates are found as one might expect, in Mexico, but also in Anglo-Saxon nations (United States, Australia, Canada, Ireland, and the United Kingdom), and southern European nations (Greece, Spain, Italy) with a relatively high level of overall inequality. Still, Australian Canadian and British poverty are about 12 -13 percent and are, therefore, below the United States levels.

Figure 1.
Relative Poverty Rates in Twenty One Rich Nations at the
Turn of the Century for all Persons
 (Percent of ALL Persons with Disposable Income Less than 50 percent of Adjusted National Disposable Median Income)

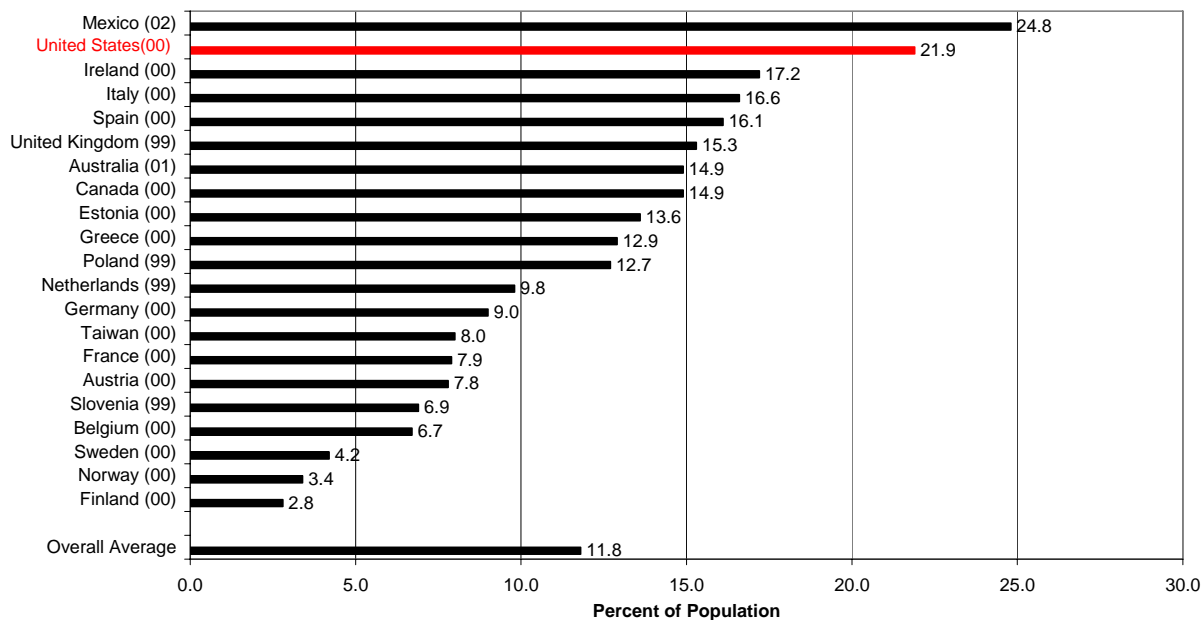


Source: Author's calculations from Luxembourg Income Study.

The lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland) where they are about 5 or 6 percent. Middle level rates are found in major European countries, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and where social assistance minimums are high. For instance, the Netherlands, Austria, Belgium, and Germany have poverty rates that are in the 8 to 9 percent range, while France is at 7 percent. Even the former Soviet block nations of Estonia, Poland and Slovenia, and Taiwan have much lower poverty rates than does the United States.

On average, child poverty is a slightly larger problem than is overall poverty in these nations, but the cross-national patterns are very similar (Figure 2). After Mexico, the United States child poverty rate is at 21.9 percent compared to the 11.8 percent average over these 21 nations. European child poverty rates are lower and Anglo-Saxon rates higher among these nations, but the United States is more than 4.0 percentage points higher than any other rich nation.

Figure 2.
Relative Poverty Rates in Twenty One Rich Nations at the
Turn of the Century for Children¹
 (Percent of CHILDREN with Disposable Income Less than 50 percent of Adjusted National Disposable Median Income)



Note:¹ Persons 17 or younger.
 Source: Author's calculations from Luxembourg Income Study.

Moreover, note that the story is not one of poor immigrants, as two nations with substantially higher fractions of children born to foreigners, Canada and Australia, have child poverty rates that are both 14.9 percent, a full 7 percentage points less than the United States rate.

We do not present trends in poverty rates here for any nations, but in many nations though not all, child poverty has risen since 2000. This is most certainly the case in the United States but not in the United Kingdom (see Section VI below).

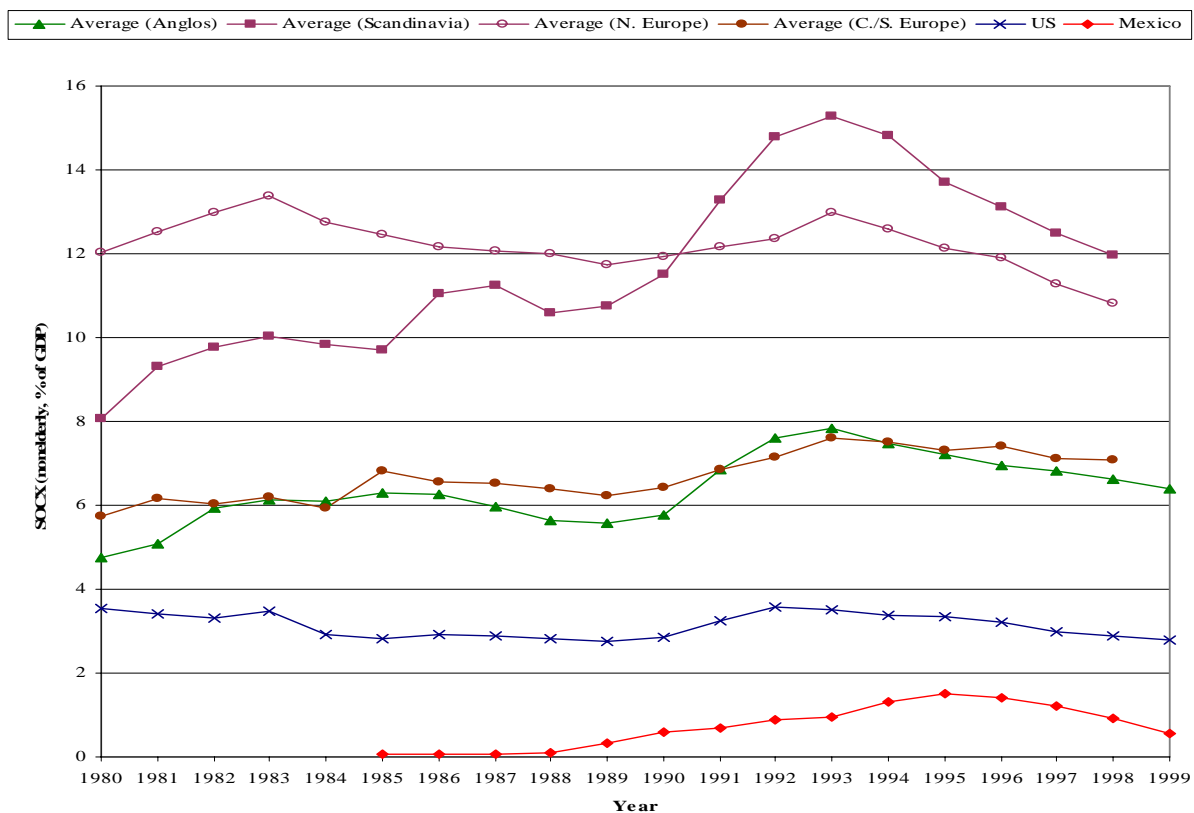
V. Towards Explanations: Cross-National Spending Patterns, and Relation of Spending and Pay to Poverty

We have seen clearly different patterns of poverty in the United States relative to other nations. What explains these differences? In short, the explanations are related to two things: the amount of support we give to the poor especially the working poor, and the level of wages paid in the United States compared to other nations. Redistributive social expenditures vary greatly across nations. The available evidence indicates that social expenditures (health, education, cash and near cash support) as a fraction of total government spending in OECD

nations, ranges from 0.67 in Australia to 0.90 in Denmark and Sweden. That is, 67 to 90 percent of all government spending is made up of redistributive cash or in-kind benefits (Osberg, et. al. 2004). Thus, the topic of social expenditure is about most of what most governments actually do.

We present the trend in non-elderly cash and near cash (food, housing) benefits for OECD countries back over the past 20 years, using data from the OECD (2004) in comparable format in Figure 3. Here 17 OECD nations—all of the major nations except for the Central and Eastern Europeans—have been grouped into 6 clusters: Scandinavia and Finland (Finland, Norway, Sweden); Northern Europe (Belgium, Denmark, Netherlands); Central and Southern Europe (Austria, France Germany, Italy, Greece, Luxembourg, Spain); Anglo Saxony (Australia, United Kingdom and Canada); the United States and Mexico.

Figure 3. Nonelderly Social Expenditures in 6 sets of 17 Nations*



* Total Nonelderly Social Expenditures (as percentage of GDP), including all cash plus near cash spending (e.g., food stamps) and public housing but excluding health care and education spending. OECD (2004). Anglos include **Australia, UK, Canada**; Scandinavia includes **Finland, Norway, Sweden**; Northern Europe includes **Belgium, Denmark, Netherlands**; Central/Southern Europe includes **Austria, France, Germany, Italy, Luxembourg, Spain**.

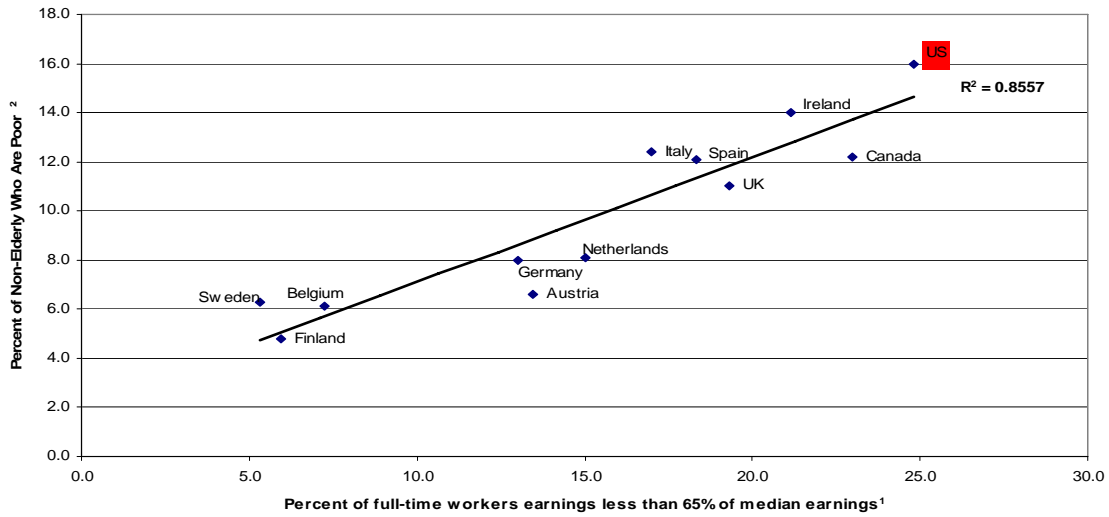
The Scandinavian and Northern Europeans follow similar patterns—high levels of spending showing responsiveness to the recession of the early 1990s in Sweden and Finland, and

a tapering after these events. The Central and Southern Europeans and the Anglo-Saxon nations show remarkably similar spending patterns, again with expenditures rising in the early 1990s, but overall at a level distinctly below that the other two groups. The United States is significantly below all these others and, by the late 1990s is spending at a level closer, in terms of a fraction of GDP per capita, to Mexico than to the other richer OECD nations.

These figures illustrate the wide differences that one can find for both levels and trends in social spending, using figures that abstract from financing of health care, education and retirement for the elderly. They also correspond very closely to the measures of money and near-money income poverty used in the analytic literature in this area, including that presented above.

A substantial fraction of the variance in non-elderly cross-national poverty rates appears to be accounted for by the cross-national variation in the incidence of low pay (Figure 4).

Figure 4. Relationship of Low Pay and Non-Elderly Poverty Rates in Twelve Industrialized Countries circa 2000



Source: OECD database on earnings (as reported in OECD Employment Outlook 2005) and authors' tabulations of the LIS data files.

Notes:

¹Data refer to the most recent year for which data could be found (2000 for US, UK, Italy and Canada; 1998 for Germany, Sweden and the Netherlands; 1996 for Austria; 1995 for Belgium, Spain and Ireland). Data for Italy refer to net earnings. Data for Greece are not available.

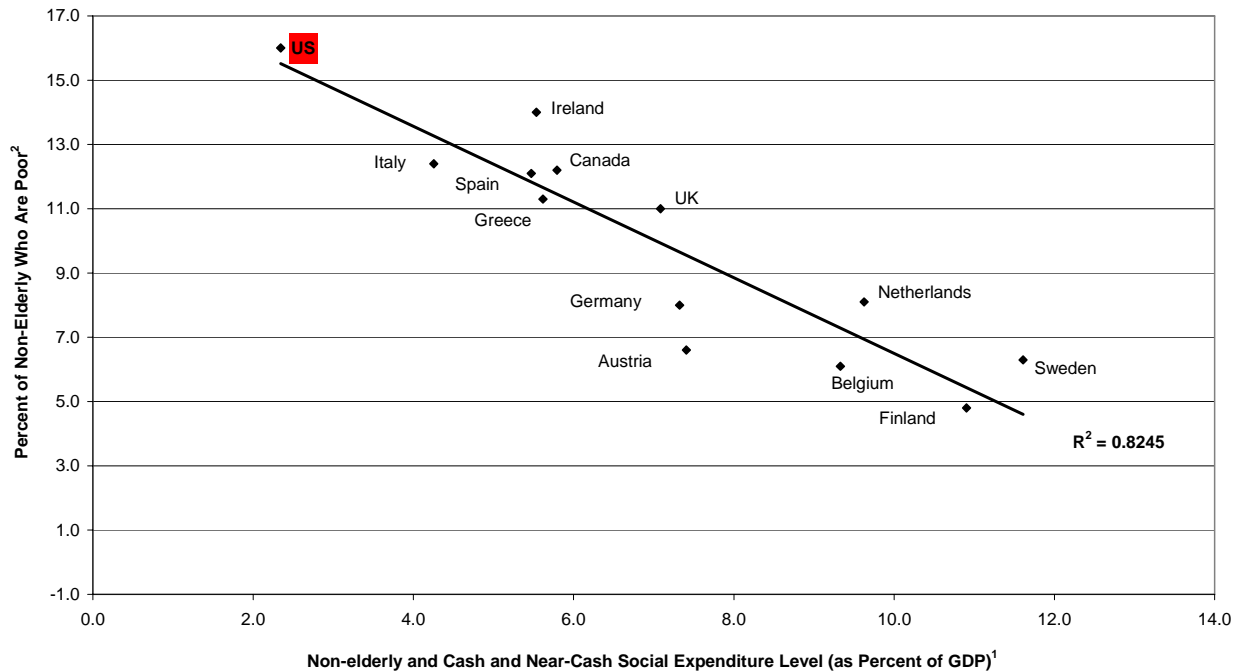
²Percentage of persons below 65 in poor households.

Because the United States has the highest proportion of workers in relatively poorly paid jobs⁵, it also has the highest poverty rate, even among parents who work half time or more (Burtless, Rainwater, and Smeeding 2001; Smeeding 2006). On the other hand, other countries that have a

significantly lower incidence of low-paid employment and also have significantly lower poverty rates than does the United States.

But, the prevalence of low-pay workers is, in fact, not the only reliable predictor of poverty rates. While low pay is a good predictor of United States poverty rates, and while poorly-educated workers do not do well at keeping their families from poverty based on earnings alone, other factors, such as the antipoverty efforts of the government, are also important predictors of the poverty rate (Figure 5). Here we see that higher social spending reduces poverty.

Figure 5. Relationship of Cash Social Expenditures and Non-Elderly Poverty Rates in Thirteen Industrialized Countries circa 2000



Source: OECD (2004) and authors' tabulations of the LIS data files. Cash and non-cash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near cash housing subsidies, active labor market program subsidies and other contingent cash and other near cash benefits. Non-elderly benefits include only those accruing to household head under age 65.

Notes:

¹Cash and non-cash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near cash housing subsidies, active labor market program subsidies and other contingent cash and other near cash benefits. Non-elderly benefits include only those accruing to household head under age 65.

²Percentage of persons below 65 in poor households.

As a result of its low level of spending on social transfers to the non-aged, the United States again has a very high poverty rate. Even though social spending in general has an inverse correlation with poverty rates, different patterns of social spending can produce different effects on national poverty rates. Antipoverty and social insurance programs are in most respects unique to each country. There is no one kind of program or set of programs that are conspicuously successful in all countries that use them. Social insurance, universal benefits (such as child

allowances), and social assistance transfer programs targeted on low-income populations are mixed in different ways in different countries. So, too, are minimum wages, worker preparation and training programs, work-related benefits (such as childcare and family leave), and other social benefits.

The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situation of those workers. For over a decade, United States unemployment has been well below the OECD average, and until recently American job growth has been much faster than the OECD average. The strong economy coupled with a few specific antipoverty devices (like the expanded EITC) has produced most of the United States overall and child poverty reduction in recent years, though it is decidedly below the effects found in other nations (Smeeding 2005; 2006). Simply put, The United States does not spend enough to make up for low levels of pay, and so we end up with a relatively higher poverty rate than do other nations.

VI. A Tale of Two Countries

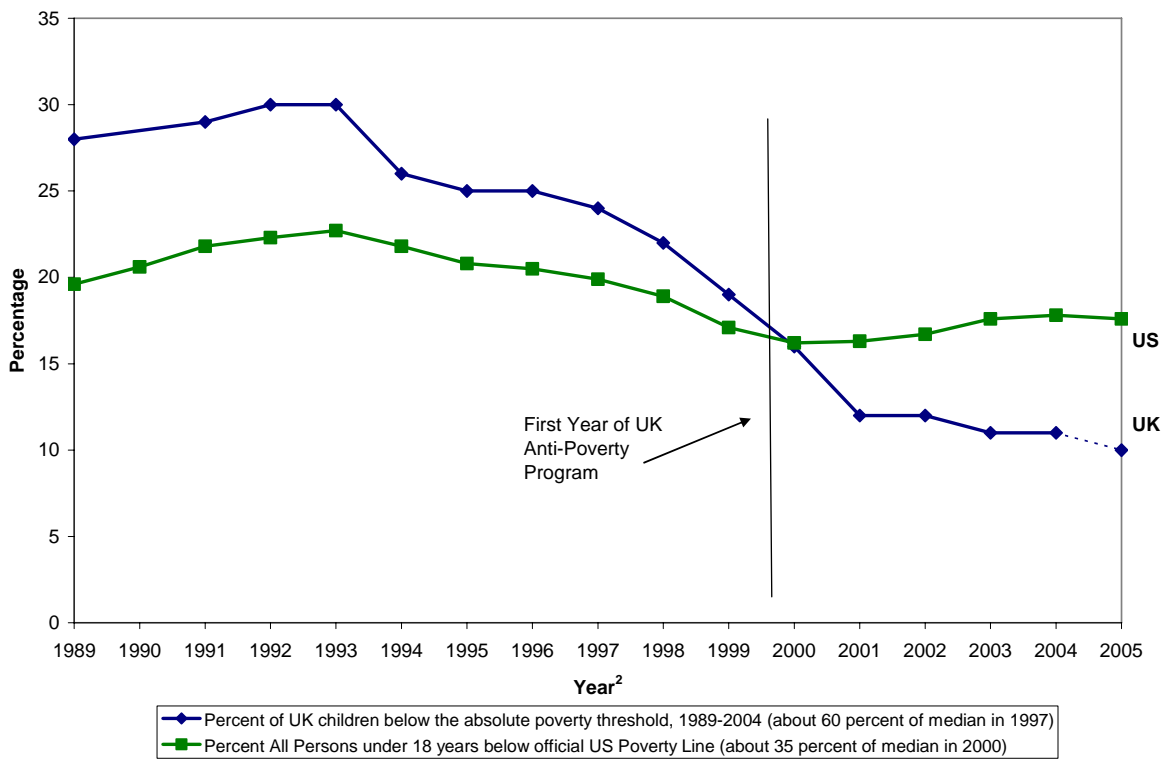
While acknowledging that the United States has greater poverty than other industrialized nations, many defenders of American economic and political institutions have argued that inequality plays a crucial role in creating incentives for people to improve their situations through saving, hard work, and investment in education and training. Without the powerful signals provided by big disparities in pay and incomes, the economy would operate less efficiently and average incomes would grow less rapidly. In the long run, poor people might enjoy higher absolute incomes in a society where wide income disparities are tolerated than in one where law and social convention keep income differentials small (Welch 1999). According to this line of argument, wide income disparities may be in the best long-term interest of the poor themselves.⁶ But, of course, there is no evidence that this is true (Burtless and Jencks 2003), and indeed there is some good historical evidence that higher social spending produces higher rates of economic growth and higher social well-being (Lindert 2004).

Our lower-income citizens' "real" incomes are at or below the incomes that most poor people receive in other rich countries that have less inequality (Smeeding 2005; 2006). The supposed efficiency advantages of high inequality have not accrued to low-income residents of

the United States, at least so far. While the real incomes of families with children did rise in the latter 1990s (Blank and Schoeni 2003) they fell again after 2000, and most of the gains have been captured by Americans much further up the income scale, producing a conspicuously wide gap between the incomes of the nation’s rich and poor children, elders, and adults.

In recent years, the United Kingdom and especially the United States economies have performed, in fact, better than many other economies where income disparities are smaller. Employment growth (even since 2001) has been relatively faster, joblessness lower, and economic growth higher than in many other OECD countries where public policy and social convention have kept income disparities low. Figure 6 compares child poverty in the United States using the same ‘absolute’ or ‘real’ poverty standards—the United States official poverty line (about 38 percent of United States median income in 1997) with the United Kingdom poverty line set at 60 percent of United Kingdom median income in 1996-1997.

Figure 6. Trends in Absolute Child Poverty: UK vs. USA, 1989-2005



Source: U.S. Census Bureau 2006; UK Office of National Statistics 2006 and Department of Work and Pensions.

In the United States we show official Census Bureau poverty estimates that reflect the current official United States income definition. Because United Kingdom incomes are about 67 percent

of United States incomes in 1996, this turns out to be just about the same ‘real’ poverty standard.⁷

We noted earlier that these nations were very near the top ranked nations in terms of child poverty (Figure 2). We also note that child poverty in both nations began to fall without the help of policy from the mid to the late 1990’s owing mainly to the strong wage growth and tight labor markets in both countries (Figure 6). But, then the patterns of child poverty beyond 2000 differ completely.

Why so? In 1997, Prime Minister Blair announced his nation would rid itself of high child poverty, and he instituted a wide set of policies to reduce child poverty. In 1999, they began to be implemented. By 2000-2001, child poverty in the United Kingdom (15 percent) was just about the same as in the United States measured against this same ‘real’ resource level. But as we entered the 21st century, and when both economies—and especially United States economic growth—turned sour, the United Kingdom continued to have policy driven reductions in child poverty while the United States poverty decline stopped and even reversed. The poverty rate for United Kingdom children has fallen to 11 percent by 2004, while the official United States child poverty rate was 17.6 at percent in 2005 according to the United States Census estimates. The 2005 estimate for the United Kingdom are not available, but projections show an even lower child poverty rate for 2005 once these figures are released in April of this year

Five years earlier, these low-income United Kingdom kids were worse off than were United States kids in real terms (Smeeding and Rainwater 2004). The reason for their improvement is that they have a leader who has set a national goal of improving living standards, and eradicating child poverty in Britain over the next decade; and who has matched his political rhetoric with some large measure of real and continuing fiscal effort that has already had an important impact (Waldfogel, et al. 2006; Francesconi and van der Klaauw 2007). In Britain, Prime Minister Blair has spent an *extra* .9 percent of GDP for low-income families with children since 1999 (Hills 2003). Nine tenths of a percent of United States GDP is about \$120 billion. This is substantially more than we now spend on the EITC, food stamps, child-care support and TANF combined. The result of this spending in Britain is that child poverty rates in 2000 were 45 percent below their 1999 level, while real living standards for these children and employment of these mothers also rose (United Kingdom, Department of Work and Pensions 2005;

Francesconi and van der Klaauw 2007). The real consumption levels of these children also increased dramatically over this period (Waldfogel, et al. 2006).

VII. Summary and Conclusions

As long as the United States relies almost exclusively on the job market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less skilled workers will inevitably have a big negative effect on poverty among children and prime-age adults. Welfare reform has pushed many low-income women into the labor market and they have stayed there as TANF roles continue to fall. Even with the \$25.4 billion spent on TANF today, less than \$10 billion is in the form of cash assistance; the rest is now in the form of child care, transportation assistance, training and other services (Pear 2003). While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty. In fact, serious gaps still exist, especially in the childcare arena and in family leave policy

Labor markets alone cannot reduce poverty because not all of the poor can be expected to “earn” their way out of poverty. Single parents with young children, disabled workers, and the unskilled all face significant challenges earning an adequate income, no matter how much they work. The relationship between antipoverty spending and poverty rates is of course complicated, but the evidence discussed above is very suggestive. United States poverty rates, especially amongst children, are high when compared with those in other industrialized countries. Yet United States economic performance has also been good compared with that in most other rich countries. As the British have demonstrated, carefully crafted public policy can certainly reduce poverty if the policy effort is made.

Of course, the high direct and indirect costs of our child poverty are now widely recognized in public debate (Holzer, et al. 2007). The wisdom of expanding programs targeted at children and poor families depends on one’s values and subjective views about the economic, political, and moral tradeoffs of poverty alleviation. It is hard to argue that the United States cannot afford to do more to help the poor; particularly those that also help low-skilled workers. But it has not done so, so far (Shapiro and Parrott 2003; Holzer, et al. 2007). If the nation is to be successful in reducing poverty, it will need to do a better job of combining work and benefits targeted to low-wage workers in low-income families (e.g., see Ellwood 2000; Danziger, Heflin,

and Corcoran 2000). There is already evidence that such programs produce better outcomes for kids (Clark-Kauffman, Duncan, and Morris 2003; Francesconi and van der Klaauw 2007; Waldfogel, et al. 2006).

Given the political disposition of the American public, a 5 percent overall relative poverty rate is not a plausible goal. A gradual reduction in the overall poverty rate from 17 percent overall and 21 percent for children, to a level of 10-12 percent using the 50 percent of median standard is certainly feasible, however. Although this rate would represent a considerable achievement by the standards of the United States, it is worth remembering that a 12 percent overall poverty rate is higher than the average overall and average child poverty rates in the 21 nations examined here, and would put us just below the poverty levels of our Irish, Australian, British, and Canadian counterparts.

Endnotes

1. See for UNICEF (2005), Bradbury and Jäntti (2005) for the United Nations (1999); for the OECD, see Förster and Pellizzari (2005); for the European Union, see Eurostat (2000) and, for LIS, Jäntti and Danziger (2000), Smeeding (2005, 2006), and Rainwater and Smeeding (2004).

2. See Atkinson, Rainwater, and Smeeding (1995) and Canberra Group (2001) for more on this income definition and its robustness across nations. Note that the use of this “LIS” disposable income concept is not unique to LIS alone. Eurostat and OECD have independently made comparisons of income poverty and inequality across nations using identical or very similar measures of net disposable income.

3. This income definition differs from the Census income definition used in most poverty studies. Still, the internationally comparable measure of income does not subtract work-related expenses or medical care spending. In particular, there is no account for provision of or costs of childcare. The EITC and similar refundable tax credits and near-cash benefits such as food stamps and cash housing allowances are included in this income measure, however, as are direct taxes paid.

4. Formally, adjusted disposable income (ADPI) is equal to *unadjusted* household income (DPI) divided by household size (S) raised to an exponential value (e), $ADPI = DPI/S^e$. We assume the value of e is 0.5. To determine whether a household is poor under the relative poverty measure, we compare its ADPI to 50 percent of the national median ADPI. National median ADPI is calculated by converting all incomes into ADPI and then taking the median of this “adjusted” income distribution. The equivalence scale that we employ is robust, especially when comparing families of different size and structure (e.g., elders and children). See Atkinson, Rainwater, and Smeeding (1995) for detailed and exhaustive documentation of these sensitivities.

5 There are no figures for low pay in the other nation studied here, especially none for Mexico.

6. A lucid presentation and analysis of this viewpoint can be found in Okun (1975). See also Welch (1999).

7. Notice that these estimates are entirely consistent with those presented in Figure 2 earlier for the United Kingdom 1999 and United States 2000, using the LIS data. The difference is that we can go beyond the LIS to later years now using these comparable figures from these two nations alone.

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