WHY POVERTY BELONGS ON THE NATIONAL POLICY AGENDA

Millions of people live in poverty in this country. They suffer not only material deprivation, but also the hardships and diminished life prospects that come with being poor. Childhood poverty often means growing up without the advantages of a stable home, high-quality schools, or consistent nutrition. Adults in poverty are often hampered by inadequate skills and education, leading to limited wages and job opportunities. And the high costs of housing, health care, and other necessities often mean that people must choose between basic needs, sometimes forgoing essentials like meals or medicine. While by some measures the poor suffer less material deprivation than their counterparts of a half century ago—almost all households now have access to basic necessities like electricity and running water, as well as consumer goods like televisions and computers—the social and economic costs of poverty remain as real as ever and threaten to undermine the nation’s social fabric and economic future.

Fifteen percent of Americans—30.4 million adults and 16.1 million children—lived in poverty in 2012, according to the official Census poverty count.¹ This share rises to 16.0 percent when adjustments for costs and benefits are accounted for under the more comprehensive Supplemental Poverty Measure (SPM). Yet even these counts, as high as they are, understate our nation’s experience with poverty. For every person classified as poor, many more hover just above the threshold. As has been highlighted in earlier Hamilton Project work, 29.6 percent of families live within 150 percent of the poverty line; nearly half live within 250 percent of the threshold (Kearney et al. 2013). Many individuals and families weave in and out of poverty, even if they are not classified as poor under the annual income measure. From 2009 to 2011, about 90 million individuals—31.6 percent of Americans—were episodically poor (poor for two or more consecutive months during a thirty-six-month period) (Edwards 2014).

In the aftermath of the Great Recession, some disadvantaged workers struggle to obtain the necessary training for fruitful employment, while others grapple with long-term unemployment at unprecedented rates. Long-term challenges remain with us: too many of our nation’s youth drop out of high school, too many of our children are born into unstable home environments, and too many of our young adults are out of school and out of work. This threatens our nation with the prospect of a permanent class of individuals who are unable to contribute productively to and benefit from a thriving economy.

Furthermore, research demonstrates that poverty leads to substantial and sustained neurobiological stressors that can inhibit intellectual and emotional development and sound decision making. For children in particular, poverty means living with the stress that comes from insufficient nutritional intake, living in the presence of violence in their community or household, and not having a secure place to sleep at night. These challenges make it harder for children to learn and thrive in school, which, in turn, leads to problems that cumulate over childhood and into adulthood. The concern is that children
Policies to Address Poverty in America

Introduction

born into deprivation will live their lives stuck in a perpetual poverty trap.

Improving the economic well-being of less-advantaged individuals has been a central focus of The Hamilton Project for many years, which has resulted in numerous discussion papers, including proposals to expand the wage subsidies for workers, reform and strengthen the food stamp program, provide tax relief for working families, reform unemployment insurance, expand access to higher education, as well as a proposal to develop a better measurement of poverty, among others. This volume builds on this focus and these existing proposals.

Poverty is a complex, multifaceted problem that can be overcome only through a comprehensive set of innovative policies and effective reforms. Tackling poverty requires a national commitment toward building human capital, harnessing the economic power of that investment, and providing a safety net when jobs are scarce or individuals are simply not intellectually or physically capable of economic self-sufficiency. It means a commitment to addressing the causes and consequences of poverty throughout the life course.

In recognition of these challenges, The Hamilton Project has commissioned fourteen innovative, evidence-based antipoverty proposals. These proposals are authored by a diverse set of leading scholars, each tackling a specific aspect of the poverty crisis. The papers are organized into four broad categories: (1) promoting early childhood development, (2) supporting disadvantaged youth, (3) building skills, and (4) improving safety net and work support. The proposals put forward in this volume are forward-looking and, if implemented, would have important beneficial impacts on the future well-being of America’s next generation.

WHO IS POOR IN AMERICA?

The face of poverty in America is diverse, and includes individuals of all races and ethnicities, ages, and family types. Poverty is found across all fifty states and in Washington, DC. In 2012, every state had a poverty rate of at least 10 percent, ranging from a high of 24.2 percent in Mississippi to a low of 10.0 percent in New Hampshire (Bishaw 2013). While poverty is present in every major metropolitan area in the country, it also resides in rural counties and suburbs. In 2012, 14.5 percent of Americans living inside metropolitan areas were classified as poor, as were 17.7 percent of Americans living outside metropolitan areas (DeNavas-Walt, Proctor, and Smith 2013).

Some groups of people are more likely than others to experience the hardships of poverty, however. Children are especially at risk, with poverty rates that are nearly twice that for elderly Americans. Though children make up 25.2 percent of Americans, they constitute 32.4 percent of the episodically poor and 42.4 percent of the chronically poor (those who are poor for thirty-six consecutive months) (Edwards 2014). Poverty is not concentrated among racial and ethnic minorities, but minorities are disproportionately likely to be poor. Whites make up 74.5 percent of the episodically poor and 62.8 percent of the chronically poor; their corresponding population share is 80.1 percent. African Americans comprise 18.1 percent of the episodically poor, 31.0 percent of the chronically poor, and 12.6 percent of the total population (Edwards 2014). Hispanics constitute 17.1 percent of the total population and 25.6 percent of individuals in poverty (DeNavas-Walt, Proctor, and Smith 2013).

Those with steady employment, not surprisingly, are much less likely to be poor, but work is no assurance that individuals can escape poverty. While only 2.9 percent of full-time, year-round workers live in poverty, 7.3 percent of all workers do not earn more than the poverty threshold (DeNavas-Walt, Proctor, and Smith 2013). Those who find stable employment often work for wages too low to enable them to rise above the poverty line. Many other workers struggle to find full-time jobs.

Family structure, along with work status, is also an important determinant of poverty rates. Individuals living in married-couple families make up 64.0 percent of the total population, but account for 47.8 percent of the episodically poor and 25.7 percent of the chronically poor. Though individuals living in female-headed households make up only 14.9 percent of the total population, they constitute 25.0 percent of the episodically poor and 42.8 percent of the chronically poor (Edwards 2014). Among the 7.1 million families with income below the federal poverty level, 69.7 percent are headed by a single parent (60.4 percent are single female parents) and 30.3 percent are headed by a married couple (Kearney et al. 2013).

In summary, poverty affects a diverse population of individuals, with varying geographic, racial, age, employment, and family characteristics. Poverty is not a static condition; many people cycle in and out of poverty. For many Americans, it is a lifelong threat: two-thirds of Americans will live in poverty for at least a year at some point in their lives (Rank and Hirschl 1999). There is no silver bullet policy lever to combat poverty, but there are effective ways to intervene at all points in the life course and hammer away at the root causes of poverty and its consequences of economic disadvantage.

PROMOTING EARLY CHILDHOOD DEVELOPMENT

Achievement gaps between children from low- and high-income families appear early in life and then persist through high school and afterwards. For example, by age four, children in the highest income quintile score, on average, near the 70th
percentile on tests of literacy and mathematics, compared to children in the lowest-income quintile who score near the 30th percentile (Waldfogel and Washbrook 2011). Scholars and policymakers have increasingly come to appreciate the role of noncognitive skills as well, highlighting the importance of socioemotional traits such as self-esteem and self-control that develop early in life (Heckman, Stixrud, and Urzua 2006).

Early childhood interventions can play an important role in addressing poverty in America. These interventions need to be broad in their focus, and need to address issues of early childhood schooling and high-quality child care, as well as addressing family circumstance and parenting practices. The work of Nobel laureate James Heckman and colleagues has emphasized that early childhood interventions can have significant long-term impacts on educational and economic attainment (see, for example, Knudsen et al. 2006). These findings have been highlighted in earlier work by The Hamilton Project. In this volume, Elizabeth U. Cascio and Diane Whitmore Schanzenbach contribute a policy memo offering a thoughtful consideration of early childhood education and proposing a framework for states to improve their educational investment in young children by expanding access to high-quality preschool.

The home environment is also a crucial input into early childhood experiences. On this dimension, too, poor children are increasingly at a disadvantage. Numerous studies have shown that higher-educated, higher-income parents spend more time with their children, and more time in educational activities in particular (Guryan, Hurst, and Kearney 2008; Kalil, Ryan, and Corey 2012). The policy memo by Ariel Kalil in this volume proposes a new federal initiative to study effective early childhood interventions in the home environment. Better understanding of these programs can ultimately lead to smarter, more-innovative, and more-accountable developmental programs for children and families.

In terms of family structure, it is important to acknowledge that poverty rates are five times as high among children living with single mothers compared to children in two-parent households. This has led to concern among scholars about the rise in single motherhood and its associated consequences for poverty. It has also led to concern about the rate at which lower socioeconomic groups are moving away from marriage and the implications that has for the intergenerational transmission of poverty. For instance, only 9 percent of births to college-educated women are outside marriage (virtually unchanged from a generation ago). In sharp contrast, 57 percent of first births to women with high school diplomas or less are nonmarital (Shattuck and Kreider 2013).

Earlier policy efforts focused on marriage promotion yielded disappointing findings. As a result, poverty scholars are turning to an emphasis on delaying pregnancy and preventing unplanned pregnancies, with the goal of increasing the rate at which children are born to mothers and fathers who have planned for those births and are in a better position to care for their children. The policy memo by Isabel Sawhill and Joanna Venator addresses this issue and puts forward a proposal to promote greater knowledge and choices about contraception among women and their health-care providers.

**SUPPORTING DISADVANTAGED YOUTH**

Disadvantaged youth seemingly face barriers at every turn. They all too often struggle in school, commit crimes and are victims of violent crimes, have few positive adult role models in their lives, and lack sufficient skills—academic and behavioral—to succeed in the workforce.

The rate at which disadvantaged youth drop out of high school is one concrete measure of how our nation’s poor youth struggle to move up the economic ladder. According to recent estimates, nearly four in ten eighth-grade students from families in the lowest income quartile did not eventually graduate from high school (Ingels, Owings, and Kaufman 2002). In school districts located in our country’s fifty largest cities, only 53 percent of students graduated from high school (Swanson 2009). These dropout rates are particularly worrisome given the limited earnings and job prospects for high school dropouts in today’s economy. The consequences of low educational attainment and lack of labor market skills are too severe to ignore; thus, finding effective ways to foster the academic skills and socioemotional development of disadvantaged youth through their teenage years must be a priority in our nation’s multipronged attack on poverty.

In their policy memo, Amy Ellen Schwartz and Jacob Leos-Urbel cite an emerging body of research suggesting that, in addition to the immediate benefits of a summer job and the wages associated with that employment, summer youth employment programs can improve educational outcomes, strengthen social and emotional development, and decrease crime rates. Building on evidence that summer employment can be a very positive driver of adolescent development, Schwartz and Leos-Urbel propose a nationwide summer youth employment program, aimed at helping low-income youth to build human capital and so transition to a productive adulthood.

Mentorship, too, can play a critical role in positive youth development. In his memo, Phillip B. Levine notes that upwards of 9 million children have no caring adults in their lives; he cites credible evidence that effective mentoring programs can help propel young people up the economic
ladder (Bruce and Bridgeland 2014; Cavell et al. 2009). He establishes a framework for evaluating mentorship programs, calling for higher levels of private and non-profit-sector investment in youth mentorship.

The policy memo by Bridget Terry Long addresses the issue of underpreparation for college. Long notes that only 32 percent of students leave high school at least minimally prepared for four-year college, and the proportion is much smaller for African American and Hispanic students—20 and 16 percent, respectively (Greene and Foster 2003). Moreover, only 59 percent of low-income students who met a minimum standard of being academically qualified for college completed a bachelor’s degree within eight years, in contrast to 89 percent of high-income students (Adelman 2006). This low level of preparation threatens college completion: only 9 percent of students from the bottom income quartile who enter college actually complete a bachelor’s degree by age twenty-five (Bailey and Dynarski 2011). Long proposes to reform the remediation system in this country to better support young, underprepared students in their transition to college.

In addition to tackling the three issues highlighted here, strengthening our country’s K–12 education system is of utmost importance. Multiple papers previously published by The Hamilton Project have addressed this issue, and so we do not include papers on education reform in this volume.9

**BUILDING SKILLS**

Skill development and job creation are critical components of our nation’s fight against poverty. It is increasingly difficult for individuals to be economically secure in today’s global economy with limited skills and education. Recognizing the paramount role of adequate skill and job creation in our national economy, The Hamilton Project has devoted considerable attention to these topics in years past, with papers on using data to improve workforce training,10 creating more-effective education and workforce development systems in the states,11 and improving worker advancement in the low-wage labor market.12

Stagnant wage growth for low-skilled workers is a persistent economic threat. For four decades, high-skilled workers have seen their wages increase while less-skilled workers have seen their economic positions erode. High school graduates and those with less than a high school diploma saw their real wages fall through the late 1970s and 1980s and rebound a bit in the early 1990s, only to remain stagnant since then (Autor, Katz, and Kearney 2008). In contrast, since the mid-1970s, those with the highest levels of education—more than sixteen years—have seen their wages rise steadily. Those with a college degree or some college have seen some improvement, but the increase in their wages has not kept up with those with more-advanced education.

A second, related trend is what labor economists have referred to as a polarization of job opportunities in the United States. As David Autor explained in his earlier Hamilton Project paper, the U.S. labor market has witnessed expanding job opportunities in high-skilled, high-wage occupations on the one end, and low-skilled, low-wage occupations on the other.13 Employment prospects for middle-skilled workers in white-collar occupations—clerical, administrative, and sales positions—have weakened, as have those for middle-skilled workers in blue-collar occupations—production, craft, and operative positions. These trends have been experienced by other economies around the world, suggesting that there are global economic forces that have led to a restructuring of the labor market.

The magnitude of this challenge and its stark implications for poverty in America can only be addressed with a massive commitment to skill-upgrading. To date, however, our nation’s commitment to investment in skills has lagged behind that of other countries. As Sheena McConnell, Irma Perez-Johnson, and Jillian Berk point out in this volume, the United States does not currently invest heavily in vocational training compared with other countries. Whereas the United States spends less than 0.05 percent of its GDP on vocational training, other industrialized nations invest up to ten times as much. In their policy memo, McConnell, Perez-Johnson, and Berk propose strengthening vocational training for disadvantaged adult workers to boost employment and reduce poverty.

As Robert I. Lerman points out in this volume, the United States also lags far behind our competitors in apprenticeship investment. While apprenticeships offer a productivity-enhancing approach to reducing inequality and expanding opportunity, Lerman notes that the numbers in the United States have declined in recent years to levels about one-tenth of those in Australia, Canada, or Great Britain. Lerman puts forth a proposal to better encourage apprenticeship training and put the United States on a par with other countries with regard to training. On a related topic, Harry J. Holzer in his policy memo observes that the courses pursued by many low-income college students do not equip them with the skills demanded by the labor market. Holzer’s proposal focuses on educational reform to incentivize public colleges and universities to better tailor their curricula to improve labor market outcomes for graduates. Clearly, there is significant opportunity to improve our system of education and training to better equip America’s workforce with the skills that are demanded and rewarded in today’s global economy.
IMPROVING SAFETY NET AND WORK SUPPORT

A strong safety net is crucial to fighting poverty in America. Without programs designed to lift the poorest households out of poverty, roughly twice as many Americans would live below the poverty line today. As revealed by the SPM (see footnote 1), including government programs in the calculation of poverty halves the share of Americans classified as poor from 31 percent to 16 percent (Fox et al. 2013). Evidence further suggests that the safety net is becoming even more effective at fighting poverty: in 1967, government benefits cut poverty by only about one-quarter.

The safety net has become especially effective at fighting poverty among the elderly. Programs like Social Security, Medicare, and Supplemental Security Income—making up 36.1 percent of the federal budget in 2012—have helped drive elderly poverty down to less than 10 percent and so promote a dignified and healthy retirement for America’s oldest citizens (Danziger and Danziger 2005). In many ways, the social safety net for elderly Americans can be considered a great success.

The two largest safety-net programs today, in terms of expenditure outlays, are the Earned Income Tax Credit (EITC) and the Supplemental Nutritional Assistance Program (SNAP). Poverty scholars generally regard these programs to be effective. SNAP is the quintessential safety-net program and has proven to be responsive to weak economic conditions in exactly the way a true safety-net program should be. When economic conditions weaken, SNAP caseloads rise; when economic conditions improve, SNAP caseloads fall. Furthermore, researchers have documented the long-term health and economic benefits of this food assistance program to low-income children and individuals (Almond, Hoynes, and Schanzenbach 2011; Hoynes, Schanzenbach, and Almond 2012). A recent Hamilton Project discussion paper by Diane Whitmore Schanzenbach proposed reforms to strengthen SNAP to make the nutritional benefits even greater.14

The EITC has been shown to encourage work among single mothers and to lead to long-term improvements in the well-being of families and children (Dahl and Lochner 2012; Evans and Garthwaite 2014; Hoynes, Miller, and Simon forthcoming). As noted by Hilary Hoynes in this volume, the EITC also has immediate and significant impacts on poverty, raising 6.5 million Americans out of poverty in 2012 alone (CBPP 2014). Hoynes’ policy memo in this volume proposes to build on this success by raising the EITC benefits for one-child families.

Another set of programs and policies aimed at working Americans are not classified as safety-net programs, but are instead considered to be work support for those in the labor force. These programs include unemployment insurance and wage-support policies like the federal minimum wage. Arindrajit Dube proposes a framework for designing effective minimum wage policies at the state and local levels to better compensate workers in high-cost areas in a way that recognizes and minimizes potential negative employment effects.

Katharine G. Abraham and Susan N. Houseman contend that the unemployment insurance program could be even more effective if it facilitated work-sharing arrangements, such that employers would be less inclined to reduce their workforce during cyclical downturns. They find that if U.S. employers had work-sharing usage at European levels, as many as one in eight of the roughly 8 million jobs lost during the Great Recession could have been saved (Abraham and Houseman forthcoming). In their policy memo in this volume, Abraham and Houseman propose reform of the U.S. network of work-sharing programs to reduce unemployment, especially during economic downturns.

In addition to the three policy memos described above, two other papers in this volume discuss proposals for supporting low-income families. Recognizing that child-care costs can discourage work and take up valuable resources for low-income families, James P. Ziliak proposes expanding and reforming the tax credit for child care to make work pay for working parents. Finally, Scott Cody and Andrew Asher propose improving the administration of safety-net programs at all levels of government by harnessing the power of predictive analytics and rapid-cycle evaluation. If adopted, the proposal in their paper would make social safety-net programs more cost-effective, while also guiding program administrators in their quest to better support American families.

CONCLUSION

Poverty remains one of America’s most important policy challenges. On any given day, 46.5 million Americans, including 16.1 million children, endure the hardships of poverty. Millions more hover with great vulnerability just above the poverty line. Still more may be able to meet their current basic needs, only to find themselves living in poverty in the future. The persistent threat of poverty represents a failure of our economic system to provide all children with the support they need to acquire human capital and to provide able-bodied working-age Americans sufficient opportunities for stable and well-paid employment.

No single policy will cure poverty, and this volume recognizes the multidimensional nature of the problem. In this collection of fourteen policy memos, national experts put forth individual evidence-based proposals, each designed to address a specific aspect of poverty. Proposals range from aiding the development of the youngest individuals, to
Introduction

supporting disadvantaged teens, to improving our national system of training and education. Importantly, the various policy memos call on a variety of implementing agencies; this is an acknowledgement of the reality that alleviating poverty requires commitments by governments at all levels, in addition to the private sector and nongovernmental agencies. Poverty is indeed a nationwide problem that requires a nationwide solution.

This volume does not consider the full range of antipoverty policies. Readers may note an absence of policies relating to fighting homelessness or reforming disability insurance programs. There are no policies directly relating to asset accumulation, such as those to support homeownership or to increase savings. Nor do we address the issue of K–12 education—a major concern for those at the lower end of the income distribution. Some of these topics have been addressed by prior Hamilton Project discussion papers; others will be addressed in future Hamilton Project work.

Public policies have a played a significant role in mitigating the devastations of poverty. Fully twice as many Americans would be impoverished if not for public safety-net programs. During the Great Recession countercyclical antipoverty programs like SNAP and unemployment insurance served to support millions of American families in need, and not only eased the pain of the recession, but also contributed to the recovery. Policymakers continue to rely on American innovation to improve these programs—applying technology and knowledge to the administration and evaluation of public programs in an effort to improve their effectiveness and reduce their cost. But there is still much to do.

With commitment, focus, and hard-headed compassion, policymakers and concerned individuals can make a sustained difference and bring down the stubbornly high rates of poverty in the United States. The proposals included in this volume are put forward with the goal of making economic prosperity a more broadly shared promise for all who live in our wealthy nation. In this spirit, we offer fourteen new policy proposals to help address and reduce poverty in America.
1. The Census Bureau officially measures poverty by comparing family income to a set of money income thresholds that vary by family size and composition. In 2013, the official threshold for a single nonelderly individual was an annual income of $12,119; for a family of two children and two adults, the threshold was $23,624. If a family’s total income is less than the family’s threshold, then that family and the individuals in it are considered to be living in poverty. The income sources included in these calculations are before taxes and do not include capital gains or noncash benefits (such as public housing, Medicaid, and the Supplemental Nutrition Assistance Program [SNAP]). Since 2010 the Census Bureau has also released poverty estimates based on the SPM, which is a more complex measure. The SPM income or resource measure is cash income plus in-kind government benefits (such as SNAP and housing subsidies) minus nondiscretionary expenditures (taxes, medical expenses, and work expenses). The SPM thresholds are adjusted for geographic differences in the cost of living.


Introduction

hamiltonproject.org/papers/the_polarization_of_job_opportunities_in_the_u.s._labor_market_implica/

References


