

## Chapter 2: The Facts

*Senator Daniel Patrick Moynihan reputedly said that everyone is entitled to their own opinions, but not their own facts.<sup>19</sup> We must establish a set of facts about poverty and economic opportunity that both progressives and conservatives agree are correct and that, taken together, paint an accurate portrait of the conditions that account for the extent of poverty and opportunity in America. We also need a solid set of facts on which to build our recommendations.*

In the first part of this chapter, we review facts about the economic outcomes that we care about most: poverty and intergenerational economic mobility. Then we review trends in family composition, employment and wages, and education, because they all affect poverty and economic mobility. We also show that inequality in these factors is mostly growing, which explains to a great extent why inequality in economic outcomes is growing as well and has proven so difficult to change.

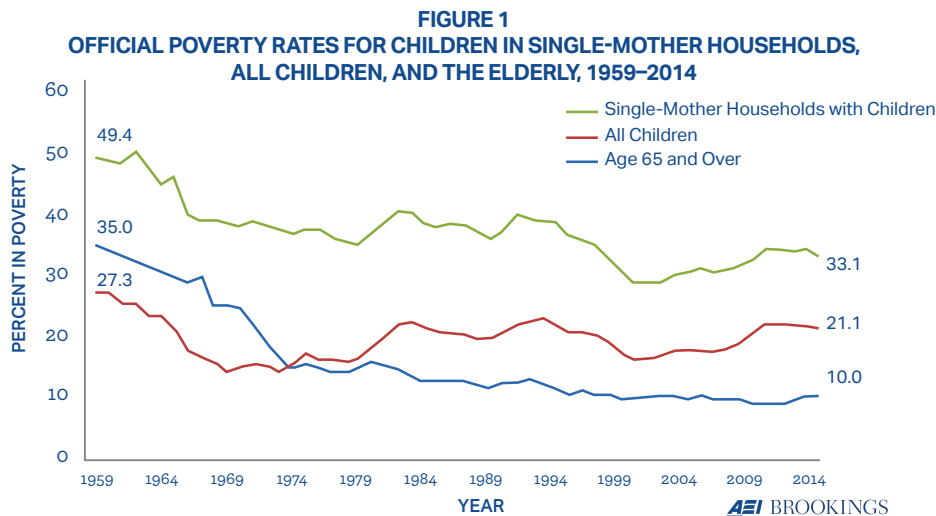
## ECONOMIC OUTCOMES

### OUTCOME: POVERTY

*Finding: Although the official measure of poverty shows little decline in the last half century, better measures show that poverty has declined, although a great deal of poverty remains.*

the decline is Social Security.<sup>20</sup> The poverty rate among all children reached 14 percent in 1969 and, as hard as it might be to believe, rose and fell in subsequent years but never again reached as low as 14 percent. In fact, the average between 1970 and 2014 was nearly 20 percent.

Progress against poverty for single-mother households falls between the relative lack of progress for all children since the late 1960s and the remarkable decline for the elderly. Poverty among single-mother families fluctuated modestly between 1969 and the early to mid-1990s, when it began a decade-long decline, from 40 percent in 1991 to 28 percent in 2000 (about a 30 percent drop). But since then, poverty in single-mother families has mostly increased, ending at a little above 33 percent in 2014.



Note: Data on elderly poverty rates unavailable for years 1960-1965.  
Source: Census Bureau, Poverty Division, CPS ASEC Tables 2 and 3.

As Figure 1 shows, under the official federal measure of poverty for children in single-mother households, all children, and the elderly, every group made good progress against poverty between the late 1950s and 1969. After 1969, poverty among the elderly continued a gradual decline, reaching stability at around 10 percent by 1995 and not varying much more than 1 percentage point in the next two decades. This progress can be attributed to government programs because the entire reason for

But these figures are misleading. Perhaps the most important shortcoming of the official poverty measure is that it doesn't include many of the very government benefits that greatly increase the incomes of the poor and near-poor. Fortunately, we have alternative ways to measure poverty. Several years ago, the Census Bureau, well aware of the official measure's deficiencies, published the experimental Supplemental Poverty Measure.<sup>21</sup> The new poverty measure includes most of the sources of

government benefits as income; deducts some expenses that are necessary to earn income, such as child care expenses; subtracts out-of-pocket expenses for health care payments; and makes a few other adjustments to income as well as to poverty thresholds. So far, the Census Bureau has published the new measure going back only to 2009. But recently a group of poverty experts at Columbia University used the Census Bureau's methods for calculating the Supplemental Poverty Measure and produced poverty estimates going back to 1967.<sup>22</sup>

Figure 2 compares the official poverty rate for all people with the more comprehensive poverty rate developed by the team at Columbia and a poverty rate based on consumption. According to the Columbia measure, the poverty rate has fallen from more than 25 percent in 1967 to about 16 percent in 2012, a 36 percent drop. The Columbia measure also shows that government tax and transfer programs had a major impact on the decline in poverty rates, especially for children, thereby demonstrating the major weakness of the official poverty measure, which ignores most of these benefits.<sup>23</sup>

Another poverty measure that has received attention is based on consumption of goods and services rather than on income. Developed by Bruce Meyer of the University of Chicago and James Sullivan of Notre Dame,

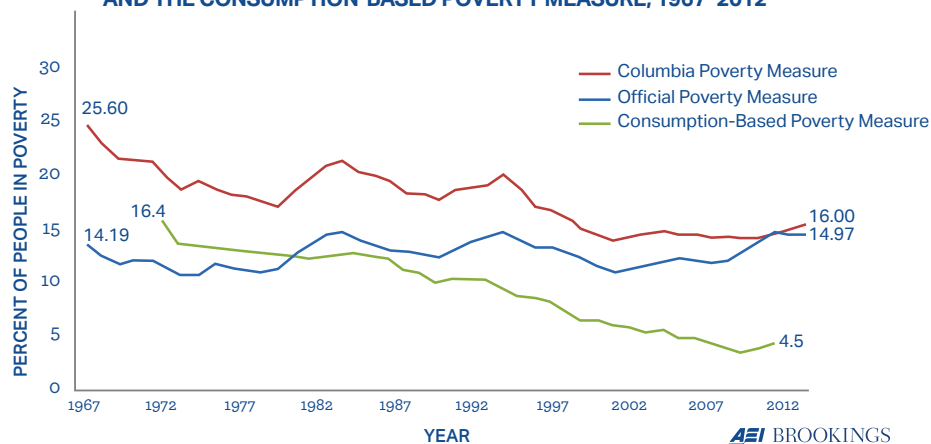
two respected poverty experts, the measure shows that consumption poverty declined by a little more than 26 percentage points between 1961 and 2010.<sup>24</sup> Like the Columbia group, Meyer and Sullivan also found that benefits administered through the tax code, such as the Earned Income Tax Credit, contributed substantially to the decline in poverty.

Despite this progress in reducing the poverty rate, some troublesome facts remain. By most measures, poverty rates have risen at least since the Great Recession began in 2007, and by some measures since 2000. According to the Supplemental Poverty Measure, the poverty rate has never fallen below 15 percent, and remains within the 15–20 percent range. As both conservatives and progressives, we believe these rates are too high.

**OUTCOME: INTERGENERATIONAL INCOME MOBILITY**  
*Finding: Income mobility is low and constant over time; although some recent research has questioned the extent to which the U.S. has lower mobility than other industrial nations, we find no serious scholarship suggesting that the U.S. has more mobility than other nations.*

Economic mobility is a fundamental measure of justice and opportunity in American society—the essence of the “American Dream.” A widely used measure of mobility and

**FIGURE 2**  
**POVERTY RATES UNDER THE OFFICIAL POVERTY MEASURE, THE COLUMBIA POVERTY MEASURE, AND THE CONSUMPTION-BASED POVERTY MEASURE, 1967–2012**



Note: Data for consumption poverty unavailable from 1962-1971 and after 2010.  
 Source: Christopher Wimer and others, "Trends in Poverty with an Anchored Supplemental Poverty Measure," New York: Columbia Population Research Centre, December 2013, available at: [http://socialwork.columbia.edu/sites/default/files/file\\_manager/pdfs/News/Anchored%20SPM.December7.pdf](http://socialwork.columbia.edu/sites/default/files/file_manager/pdfs/News/Anchored%20SPM.December7.pdf).  
 Bruce Meyer and James Sullivan, "Winning the War: Poverty from the Great Society to the Great Recession," Washington, DC, Brookings Papers on Economic Activity, 2012, available at [http://www.brookings.edu/~media/Projects/BPEA/Fall-2012/2012b\\_Meyer.pdf?\\_lang=en](http://www.brookings.edu/~media/Projects/BPEA/Fall-2012/2012b_Meyer.pdf?_lang=en)

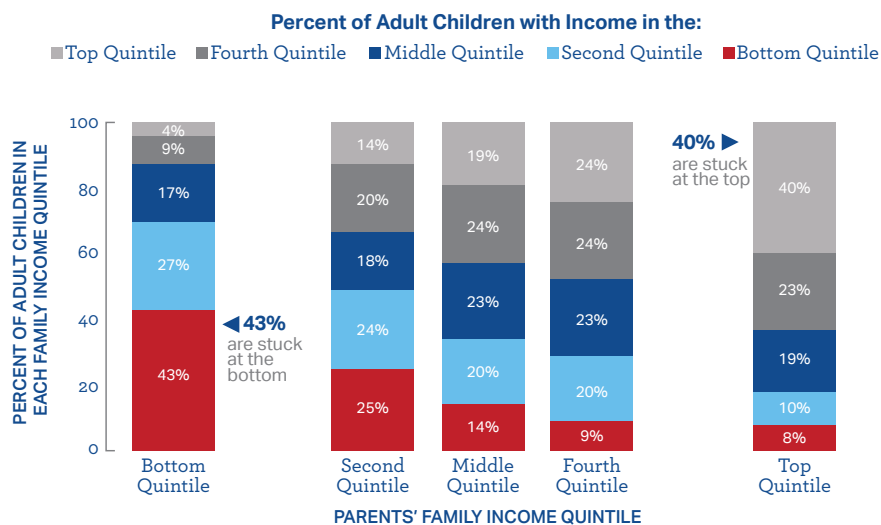
equal opportunity in America is the extent to which children from the poorest families are able to move up in their relative position as compared with others in their generation.<sup>25</sup> Figure 3 shows the percentage of children whose parents fell into each quintile (fifth) of the income distribution during their prime earning years (roughly during their 40s) who themselves wind up in each quintile of income in their own prime earning years (again, roughly during their 40s). Thus, for example, 43 percent of children whose parents were in the bottom fifth of income themselves wound up in the bottom fifth as adults. (See the bar graph on the left in Figure 3.) By contrast, only 8 percent of children whose parents were in the top income quintile wound up in the bottom fifth as adults, while 40 percent remained in the top like their parents (bar graph on right). As a rough yardstick for understanding these percentages, if all else were equal, we would expect the children of parents from each income quintile to be equally distributed among the five quintiles as adults. Children whose parents are in the middle income quintile approximate this equal distribution of income in the second generation and in that respect contrast sharply with the distribution of the adult incomes of children from the top and bottom quintiles. As economists say, the top and bottom quintiles are “sticky,” meaning that the income of children from these quintiles is much more likely to wind up in or near their parents’ quintile.

Most scholars believe that the U.S. has lower mobility than other industrialized countries. Though some recent research challenges that conventional wisdom, no evidence suggests that mobility is higher here than elsewhere.<sup>26</sup> Furthermore, the level of mobility in the U.S. has been fairly constant over time.<sup>27</sup> But inequality in individual earnings and family income has risen a great deal in the past three decades, implying that those from low-income families who fail to experience upward mobility will have relatively worse economic prospects in their lives, even if their absolute income levels rise.<sup>28</sup> The rungs on the economic ladder are getting further apart.

### SUMMARY

As a nation, we could and should be doing better in our efforts to fight poverty and increase economic mobility. Our report is premised on, and our recommendations are shaped by, the view that three broad trends are preventing greater progress against poverty and mobility. These trends lie in family composition, work and wages, and educational attainment and achievement. We turn now to recent changes in each of these domains to better understand what we’re up against in our search for policies to reduce poverty and increase economic mobility.

**FIGURE 3**  
**INCOME QUINTILE OF CHILDREN WHEN THEY GROW UP RELATIVE TO THEIR PARENTS’ INCOME QUINTILE**



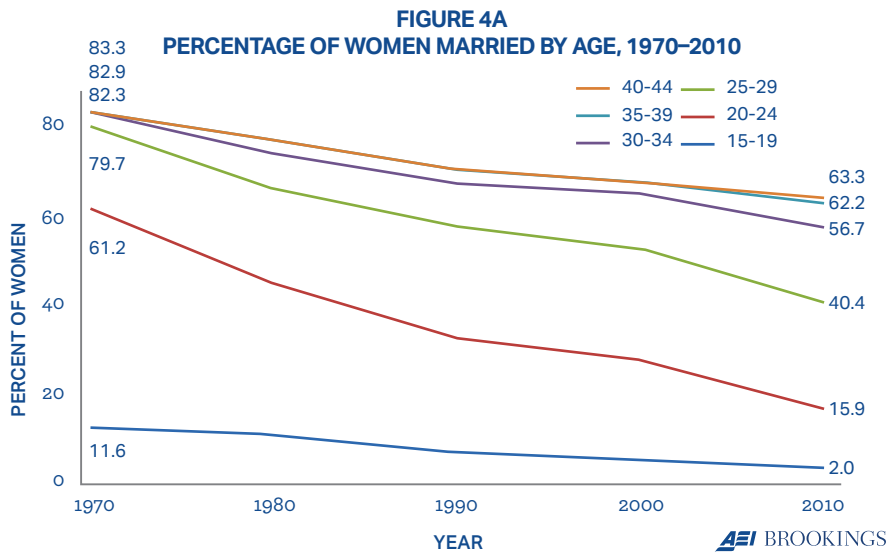
Note: Numbers are adjusted for family size.  
Source: Pew Charitable Trusts, “Pursuing the American Dream: Economic Mobility Across Generations” (Washington: 2012).

**OVERVIEW OF FACTORS SHAPING POVERTY AND OPPORTUNITY**

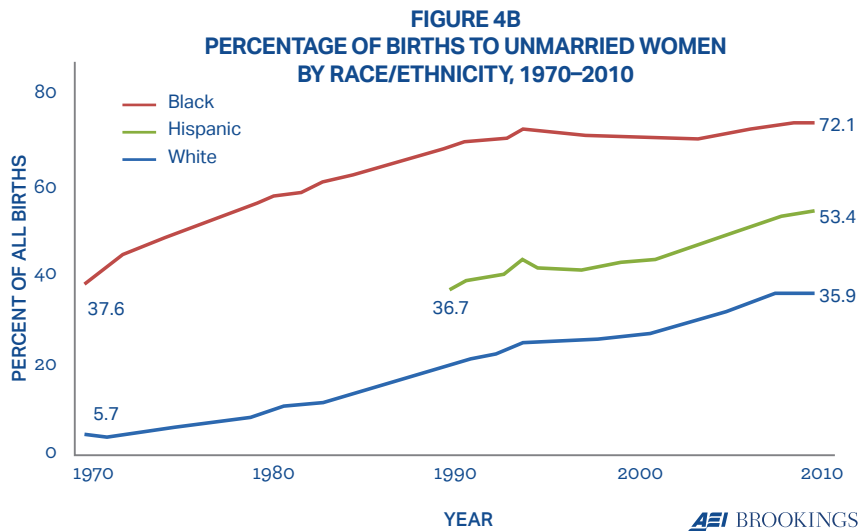
**FACTOR: FAMILY COMPOSITION**

*Finding: Marriage rates are declining and nonmarital birth rates are increasing, so more children are growing up in single-parent families, especially among the less-educated.*

Over the last four decades, the American family has changed dramatically. One of the most notable changes is the long and steady decline in marriage rates. Figure 4a shows marriage rates by age in the decennial censuses of 1970 through 2010.<sup>29</sup> Rates have fallen at all age levels, but the biggest declines have been at the youngest ages. Most of the declines are substantial. For women aged 30-34, for example, the drop was 27 percentage points, from around 82 percent to a little over 55 percent.

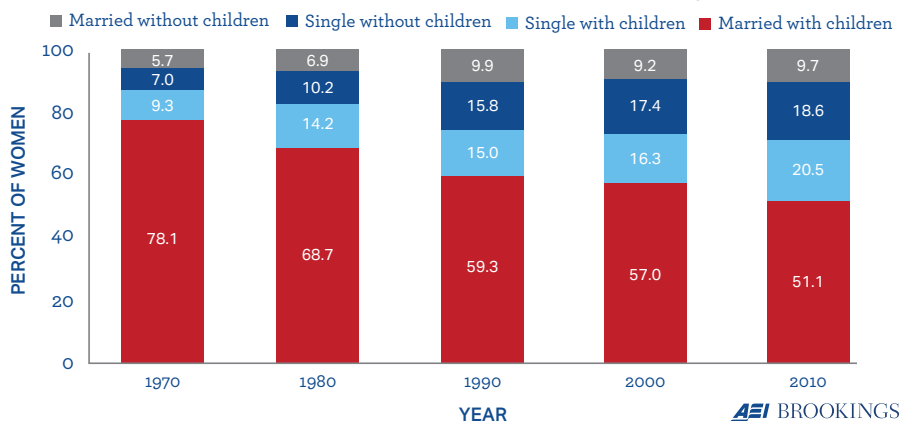


Source: Author's calculations from the decennial census (U.S. Bureau of the Census 1970, 1980, 1990, 2000) and the American Community Survey.



Source: Centers for Disease Control, National Vital Statistics Reports.

**FIGURE 4C**  
**CHANGES IN WOMEN'S FAMILY STRUCTURE AT AGE 35, 1970-2010**



Source: Author's calculations from the decennial census (U.S. Bureau of the Census 1970, 1980, 1990, 2000) and the American Community Survey.

An important consequence of the decline of marriage is that both men and women spend many years outside marriage, often their entire lives. But they don't refrain from forming sexual relationships while single, one outcome of which is a rise in nonmarital births. As Figure 4b shows, the share of births occurring to unmarried mothers has increased substantially for blacks and whites since 1970 and for Hispanics since at least 1990 (the first year the Centers for Disease Control collected separate data for Hispanics). The share for blacks is now well over 70 percent, and more than 40 percent of all American babies are now born outside marriage.

The combined effect of the trends in marriage rates, divorce rates, and nonmarital birth rates has produced major changes in the composition of American families (Figure 4c). Examining changes in the living arrangements of women at age 35 in each decennial census since 1970, we find that the proportion of all women who are married and living with children declined from about 78 percent to 51 percent, a fall of 27 percentage points. The frequency of the other three categories of household composition increased—by 4.0 percentage points for married without children, 11.6 percentage points for single without children, and 11.2 percentage points for single with children.

Many of the women who appear as single (with or without children) in Figure 4 are actually cohabiting. Some analysts argue that cohabitation is the new marriage. If parents live together and share resources, as they frequently do

in Europe,<sup>30</sup> isn't cohabitation a good substitute for marriage? Some researchers think that cohabitation occupies a middle ground between married-couple families and single-parent families, while others argue that it is closer to single-parenthood in its effects, especially in the U.S. because the duration of cohabiting relationships is much shorter than the duration of marriage. Setting aside the complex arguments about whether the promise implied by taking vows and publicly pledging a lifelong relationship is an important part of the parental commitment, cohabiters are three times as likely to split by the child's fifth birthday as are married parents (39 percent of cohabiters vs. 13 percent of married couples), with important consequences for the child's development. In fact, as a recent volume from the *Annals of the American Academy of Political and Social Science* shows, the decline of marriage and rise of cohabitation have given rise to a new sub-discipline of social science devoted to explaining the causes and effects of "family complexity."<sup>31</sup> Agreement seems to be emerging that the frequent changes in living arrangements that accompany family complexity and other factors associated with or even caused by family complexity lead to problems for children.<sup>32</sup>

Two obvious consequences of the increasing number of children in single-parent families, 77 percent of which are headed by mothers,<sup>33</sup> are lower income and higher poverty rates as compared to married-couple families. By 2013, at nearly \$107,000, the average married-couple family with children had nearly three times the income of

the average single-mother family with children (\$35,654). Similarly, between 1974 and 2013, the average poverty rate of single-mother families was usually between four and five times higher than the poverty rate of married-couple families; in 2013, the poverty rate for children in single-mother families was 45.8 percent, compared with 9.5 percent for children in married-couple families.<sup>34</sup>

Many factors besides marriage and cohabitation influence the incomes and poverty rates of families with children. Perhaps the most important is the education level of the mothers and fathers involved. And not all of the very strong correlation between single parenthood and poverty reflects a causal effect of the former on the latter. Even so, there is little doubt that single parenthood does cause increased poverty; therefore, if single mothers got married, household income would be likely to rise and poverty to fall.<sup>35</sup> Cohabitation would produce similar though smaller effects.<sup>36</sup>

One way to think about these developments is that, in effect, the decline of marriage and rise of nonmarital births and single parenting is reducing the share of children in the family type in which they have, on average, high income and low poverty rates, while increasing the share of children in the family type that has lower income and higher poverty rates. It follows that even if government programs raise the income and reduce the poverty rate of single-mother families (which, as we show above, they do), average family income could still fall and poverty rates could still rise for families with children because of

the changes in family composition over the past half century. Policy has to run just to stay in place.

Another consequence of the rise of single parenting is its impact on child development and behavior. There now appears to be widespread and growing agreement among scholars that the best environment to rear children is the stable, two-parent family. Some of the measures of child development that have been linked with single-parent families are higher school dropout rates, lower academic achievement, higher rates of teen pregnancy, more drug and alcohol use, higher rates of psycho-social problems (including suicide), and higher likelihood of not working and not being in school in late adolescence and early adulthood. Thus the increasing share of children in single-parent families not only is associated with rising poverty rates in the current generation, but it also contributes to reduced economic mobility as the children grow to adulthood.

#### **FACTOR: WORK AND WAGES**

*Finding: Less-educated men (especially blacks) have been working less over time, partly in response to their declining wages.*

No story about the Great Recession of 2007–2009 has gotten more attention than the persistence of high unemployment rates. The unemployment rate began creeping up as early as the spring of 2007 and rose modestly, from 4.6 percent to 5.4 percent, between May 2007 and May 2008. Then it skyrocketed over the next 18 months to 10 percent, an increase of over 100 percent. But the large

“ Such a long and severe recession can affect long-term outcomes. Not only has unemployment risen since 2007, but the labor force participation rate—the percentage of the population age 16 and above that is working or seeking work—has also declined substantially, dropping from about 66 percent that year to under 63 percent now.

rise in unemployment in such a short time wasn't the only notable feature of unemployment. The rate reached 9 percent for the first time in April 2009, and the next time it fell below 9 percent was October 2011. Thus unemployment was 9 percent or more for 29 months. We hadn't seen anything like this since the Great Depression of the 1930s, although the back-to-back recessions of the early 1980s produced unemployment rates of 9 percent or more for 19 consecutive months.

Unemployment during the Great Recession had still another remarkable feature—a sharp increase in long-term unemployment, defined as the percentage of unemployed workers who have been out of a job for 27 weeks or longer. During the recovery period from the 2001 recession to the onset of the Great Recession in 2007, the long-term unemployment rate modestly declined. But beginning in spring 2008, it rose precipitously; it grew from around 18 percent to over 45 percent by January 2010. It then stayed above 40 percent for well over two years. In July 2015, more than four and a half years after the end of the Great Recession, the long-term unemployment rate was still almost 27 percent, about twice its level when the recession began.<sup>37</sup>

If the recession was purely a cyclical—and therefore temporary—phenomenon, we wouldn't be terribly concerned about its long-term effects on poverty or economic mobility. But, in fact, such a long and severe recession can affect long-term outcomes. Not only has unemployment risen since 2007, but the labor force participation rate—the percentage of the population age 16 and above that is working or seeking work—has also declined substantially, dropping from about 66 percent that year to under 63 percent now. Furthermore, although we always knew that labor force participation would drop as baby boomers hit age 65 and began retiring (or even taking early retirement beginning at age 62), about half the drop in workforce activity has taken place among the non-elderly. And some of this decline continues a trend that began well before the Great Recession, in which less-educated men have been dropping out of the labor force—reducing their employment rates even during periods when unemployment is

low. This decline in male employment likely has negative consequences for family composition, as we note below.

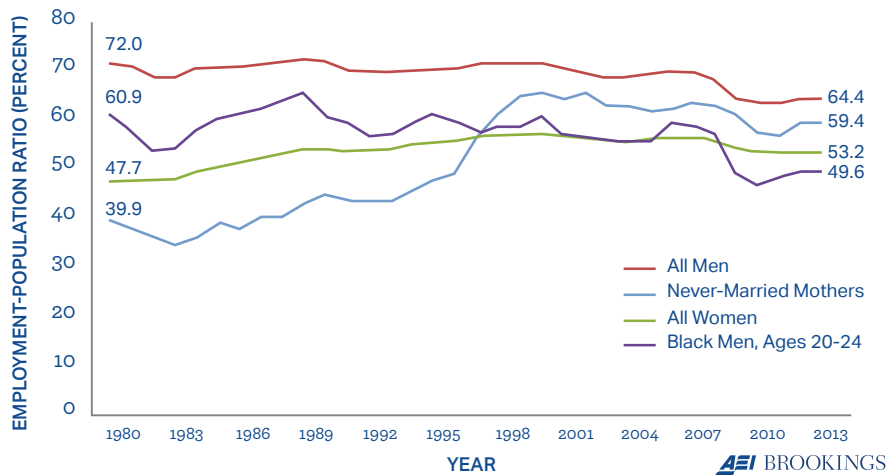
A broader measure of work than unemployment or long-term unemployment rates is the employment-to-population ratio (EPR)—the proportion of the entire population not only in the labor force but actually employed. By contrast with the EPR, the unemployment rate is defined as the percentage of those in the labor force who don't have a job. In addition to the employed and those looking for work, a large group of people, often called “discouraged workers,” have left the labor force and given up looking for work. The unemployment rate sometimes falls not only because more people have found jobs but also because some jobless workers have left the labor force.<sup>38</sup> For the broadest perspective on the labor market, the EPR includes everyone age 16 and above in the denominator (except people who are in the armed forces or institutionalized) and the number employed in the numerator, yielding a measure of employment that covers most of the population (or a given subgroup such as men or women, or men or women in a certain age range). EPR drops when unemployment rises but also when labor force participation falls (including when it does so because of rising school enrollment or retirement).

Figure 5 gives the EPRs for all men, all women, never-married mothers, and young black men ages 20-24 between 1980 and 2012. All four ratios convey at least some bad news. For one thing, employment ratios have fallen for all groups since the Great Recession began, and they haven't fully recovered. And all groups experienced some declines in employment ratios even before the Great Recession—though the declines among men have been greater and started much earlier than those among women.

Overall, the employment ratios of all women and of never-married mothers trend somewhat positively over time, although they raise concerns as well. The EPR for all women, in one of the most important demographic developments since the 1960s, increased almost every year between 1980 and 2000. It fell a bit after that year,



**FIGURE 5**  
**EMPLOYMENT-TO-POPULATION RATIO FOR SELECTED POPULATIONS, 1980–2013**



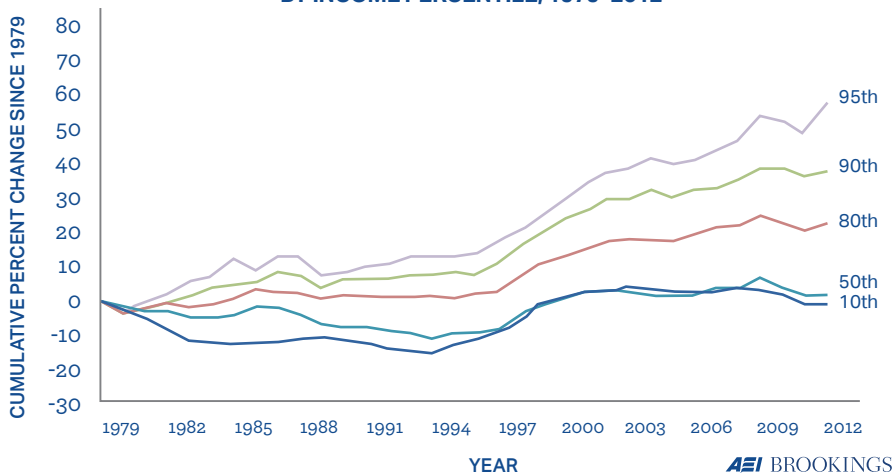
Source: Annual Social and Economic Supplement to the CPS, 1980–2013.

although it is still much higher than before the mid-1990s. The EPR for never-married mothers presents the same mixed picture. Never-married mothers and their children have high poverty rates and frequently receive public benefits. Fewer than half these mothers worked before the mid-1990s. Their employment rose rapidly between 1996 and 2000, after passage of the 1996 welfare reform law and expansion of the Earned Income Tax Credit (EITC), before being stopped by the recession of 2001. Like the EPR for all women, the ratio for never-married mothers had not fully recovered from the 2001 recession when the recession of 2007–2009 hit and reduced their EPRs by a few more points. Still, in 2013 their EPR was

higher than in any year before its rapid rise began in the mid-1990s. We think that one of the most direct ways to reduce poverty, and possibly to increase economic mobility, is to help single mothers work and to improve their skills so they can earn higher wages. We return to this subject below.

Finally, the ratio for young black men peaked at the low level (compared with other demographic groups) of a little more than 65 percent in the late 1980s. From that already low level, the EPR declined in fits and starts to under 50 percent by 2010. Some but not all of this decline can be accounted for by rising school enrollment among young

**FIGURE 6**  
**CUMULATIVE CHANGES IN REAL HOURLY WAGES OF MEN, BY INCOME PERCENTILE, 1979–2012**

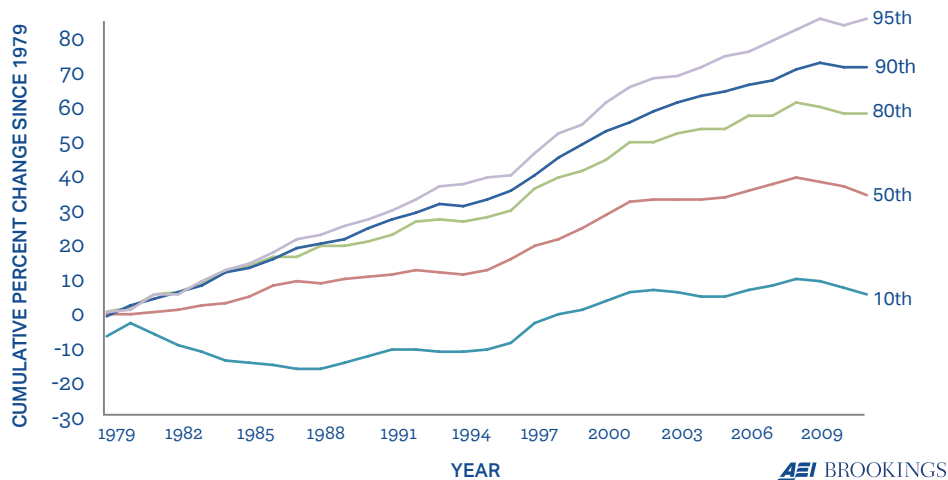


Source: Calculations from EPI Calculations of Current Population Survey Outgoing Rotation Group microdata (Available at <http://stateofworkingamerica.org/data>), CPI-U-RS Index (Available at [www.census.gov/hhes/www/income/data/incpovhith/2012/CPI-U-RS-Index-2012.pdf](http://www.census.gov/hhes/www/income/data/incpovhith/2012/CPI-U-RS-Index-2012.pdf)), and PCE deflator available from FRED.

black men. However, their school enrollment has risen less than that of any other racial/gender group, and their employment declines have been the most severe. And, if anything, this graph understates the downward trend in employment for this group, because incarcerated men aren't included (young black men have the highest incarceration rate of all demographic groups) and because low-income men more broadly tend to be undercounted in Census surveys.<sup>39</sup>

of at least 90 percent of men have fallen since the Great Recession (though because benefits like health insurance have been a rising share of compensation, the trends in hourly compensation are lower than they would be if health benefits were included in wages).<sup>41</sup> More worrisome, the wages of men at the 50th percentile and below are now similar to or lower than they were in 1979 (depending on the measure we use to adjust for inflation over time).<sup>42</sup> This is not the way to increase families' financial stability

**FIGURE 7**  
**CUMULATIVE CHANGES IN REAL HOURLY WAGES OF WOMEN,**  
**BY INCOME PERCENTILE, 1979–2012**



Source: Calculations from EPI calculations of Current Population Survey Outgoing Rotation Group microdata (Available at <http://stateofworkingamerica.org/data/>), CPI-U-RS Index (Available at <https://www.census.gov/hhes/www/income/data/incpovhlth/2012/CPI-U-RS-Index-2012.pdf>), and PCE deflator available from FRED.

Some evidence suggests that young women are less willing to marry men who don't have a steady source of income, meaning that a rising share of young black men may be seen as unmarriageable by young women.<sup>40</sup> It's hard to imagine a vibrant community with strong families and safe neighborhoods for children when half the young men who live there don't have regular employment.

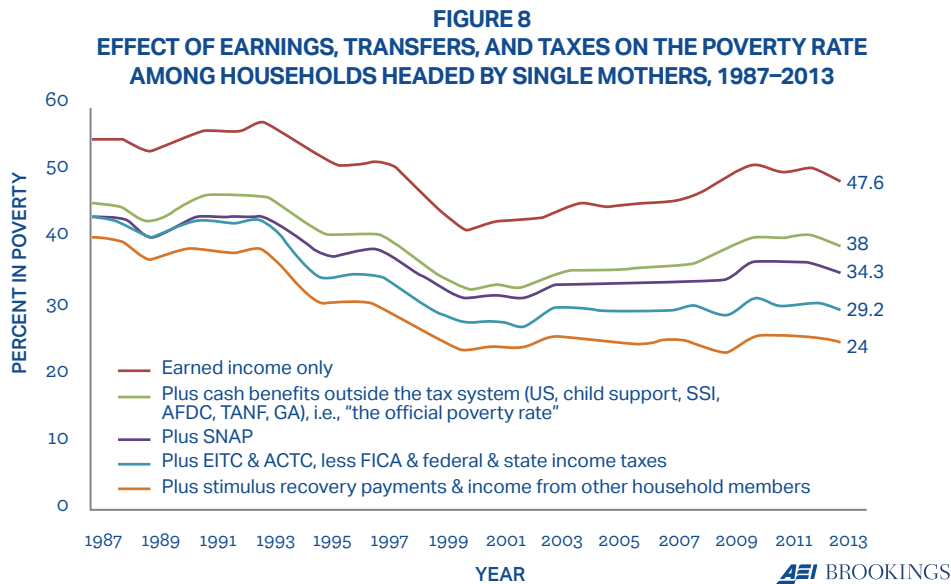
As if men's EPRs don't present enough challenges for those concerned with family income, changes in men's real hourly wages are also discouraging. Figure 6 shows men's wages since 1979 at selected points in the wage distribution between the 10th and 95th percentile. The graphs plot trends in wages as a percentage of wages in 1979, a peak year in the American economy. The wages

or to reduce the poverty rate and increase mobility. And it likely helps us understand why so many low-income men drop out of the labor force—the rewards of working have declined for that group.<sup>43</sup>

“ *It's hard to imagine a vibrant community with strong families and safe neighborhoods for children when half the young men who live there don't have regular employment.* ”

If the picture for low-income men’s work is discouraging, the picture for low-income women presents some room for optimism, for two reasons. First, as Figure 7 shows, women’s wages have generally risen more than men’s since 1979. Like men, women at the 10th percentile of the wage distribution had nearly the same wage in 2012 as they had in 1979. But throughout the rest of the wage distribution, their wages rose more than men’s did. Men’s wages all the way up to the 50th percentile, for example, were more or less the same as they had been in 1979, but women’s wages at the 50th percentile rose 35 percent over the period. At the 80th percentile, women’s wages had increased by around 58 percent as compared

between roughly the mid-1970s and the early 2000s. Congress intended to create what might be called a “work support system” that would provide various cash and in-kind supplements to the earnings of low-wage workers with children. These earnings supplements would reduce the work disincentives inherent in the welfare system created by the fact that welfare benefits phase out as welfare recipients enter the workforce and earn money. Taken together, increased work and the generous work support system substantially reduced poverty among single-mother families. Because the combination of work and work-support benefits is a promising strategy for reducing poverty, we turn to an explanation of how this approach works.



Note: Abbreviations are as follows: Unemployment Insurance (UI), Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), General Assistance (GA), Supplemental Nutrition Assistance (SNAP), Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), and Federal Insurance Contributions Act (FICA).  
 Source: Thomas Gabe, Congressional Research Service, *Welfare, Work and Poverty Status of Female-Headed Families with Children, 1987–2013*.

with men’s roughly 20 percent increase. These relatively higher wage increases for women, however, must be balanced against the fact that even after these increases, women’s wages are only a little more than 80 percent of men’s wages, on average.<sup>44</sup>

The second reason for optimism about women’s labor force experience is a series of mostly bipartisan agreements in Congress about earnings supplements that were reached

Figure 8 shows the trends in poverty rates from 1987 to 2013 based on a poverty measure, like the Supplemental Poverty Measure, that counts a wide range of government benefits as income. The top line shows the poverty rate when only earnings are counted as income. Lines below the first line show poverty rates when the various work support benefits are added to income and taxes are subtracted, in stepwise fashion.<sup>45</sup> The major finding from the figure is that government work support benefits have

POVERTY RATE AMONG HOUSEHOLDS HEADED BY SINGLE MOTHERS BASED ON:			
YEARS	EARNINGS ONLY	EARNINGS PLUS BENEFITS MINUS TAXES	DIFFERENCE (PERCENT)
1987-93	54.3	41.7	-23.2
2000	40.8	26.8	-34.3
2010	50.1	29.6	-40.9
2013	47.6	29.2	-38.7

**AEI** BROOKINGS

greatly reduced poverty rates among single-mother families (and low-income two-parent families as well) in every year since 1987. In addition, the chart reveals a number of important lessons for those interested in fighting poverty. The above table of data from Figure 8 provides the information we need to understand these lessons.

From 1987 to 1993, the poverty rate among single-mother families with children, based only on the mothers' earnings, was very high—well over 50 percent in every year and averaging 54.3 percent. Then it plummeted for the next seven years, falling from 54.3 percent to 40.8 percent, the lowest it had ever been. This precipitous decline in poverty occurred mostly because many more single mothers were working (see Figure 5).

Now consider how work support programs affected the poverty rate based on earnings only. Government transfer programs drove the poverty rate down from 54.3 to 41.7 percent in 1987–93,<sup>46</sup> a drop of about 23 percent. But when the work rate was much higher in 2000, the poverty rate based exclusively on earnings was only 40.8 percent, 25 percent lower than the comparable rate in the 1987–93 period. Even better, after single mothers received the package of work-based benefits, the 2000 poverty rate fell to 26.8 percent, a decline of 34 percent.<sup>47</sup>

In 2010, work declined and poverty rose, due to the Great Recession. Yet the combination of relatively high work rates in 2010 (relative to the 1987 to 1993 period) kept poverty lower than during the earlier period, and the impact of government programs in percentage terms produced nearly

twice as great a decline in poverty as in the earlier period (a reduction of 40.9 percent vs. 23.2 percent).

Finally, the figures for 2013 show that female heads of families are again increasing their earnings from work, and the work-based safety net continues to reduce poverty a great deal (nearly 39 percent).

Thus the federal work support system achieves the important goal of, as President Clinton put it so tersely, “making work pay.”<sup>48</sup> The most important element of the work support system was the creation of the EITC program in 1975 and its expansion, almost always on a bipartisan basis, on several occasions since. The EITC gives working families with children nearly \$60 billion each year, mostly in one-time cash payments. The passage of the Additional Child Tax Credit in the 2001 Bush tax reforms, and subsequent expansions, were also important. The Additional Child Tax Credit now gives working families with children around \$30 billion each year. In addition, child care subsidies have been expanded on numerous occasions, the Supplemental Nutrition Assistance Program (SNAP) has been modified to make it easier for working families to claim the benefit, the Medicaid program has been modified and extended (in part by creating the Child Health Insurance Program in 1997) to cover almost all children under 200 percent of the poverty line, and a number of other improvements have been made in the work support system at both the federal and state levels. This system is available to all low-income working families with children. Most families that work close to full time can avoid poverty when their earnings and their benefits from the work support system are combined.

**FACTOR: EDUCATION**

*Finding: Gaps in academic achievement (test scores) and schooling attainment (years completed) between children from higher- and lower-income families are rising over time.*

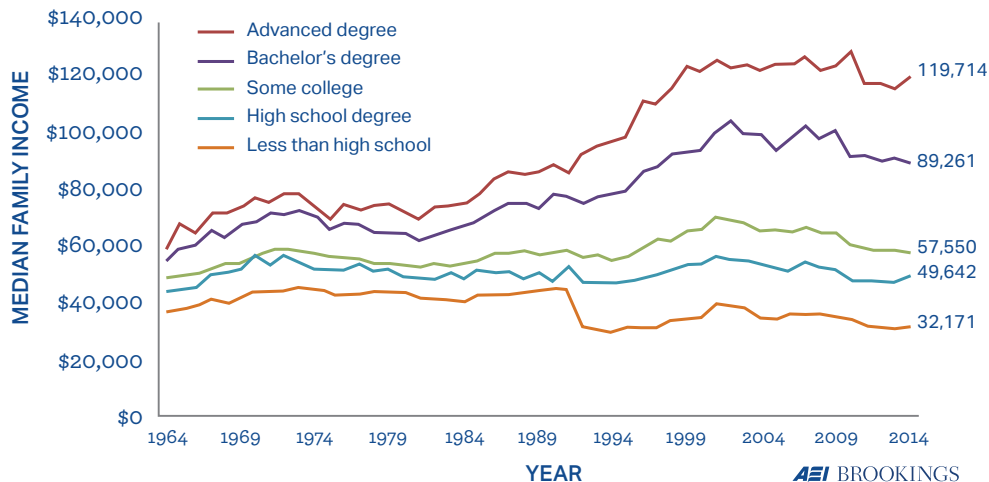
The traditional route to economic mobility is education. Until recent decades, the primary reason Americans enjoyed the world’s most productive economy and the world’s highest standard of living was the nation’s superiority in education.<sup>49</sup> Similarly, individuals’ and families’ level of education is directly connected to their level of affluence. Figure 9 shows the median family income of adults in their prime earning years by their education level (less than high school, high school degree only, some college, college degree, graduate or professional degree).<sup>50</sup> Since the administration of President John F. Kennedy—and in all likelihood even before—people with more education have made more money. But in recent decades, two additional patterns have emerged. First, since roughly the 1980s, the line graphs depicting this relationship have gotten farther apart, which means that the payoff to education has been increasing. Second, the average income of those with some college (but not a degree), a high school degree, or no high school degree has been stable or falling. More

education still pays off, but it’s becoming harder to earn a middle-class wage without a college degree or at least some type of postsecondary credential.<sup>51</sup>

These trends in income levels and inequality reflect important changes in our nation’s labor markets since the 1970s: a rise in the use of workplace technologies (which economists call “skill-biased technical change,” since these technologies tend to replace unskilled workers doing routine tasks while creating more demand for highly skilled workers); growing globalization (due to a higher volume of trade, offshoring of production, and immigration); and the weakening of institutions that have traditionally helped limit inequality, such as the minimum wage and collective bargaining.<sup>52</sup> The combined effect of these changes has been to make educational attainment and achievement even more important in determining worker employment and earnings, and therefore to increase inequality between those who have more education and those who have less and between those who have work-related skills and credentials and those who don’t.<sup>53</sup>

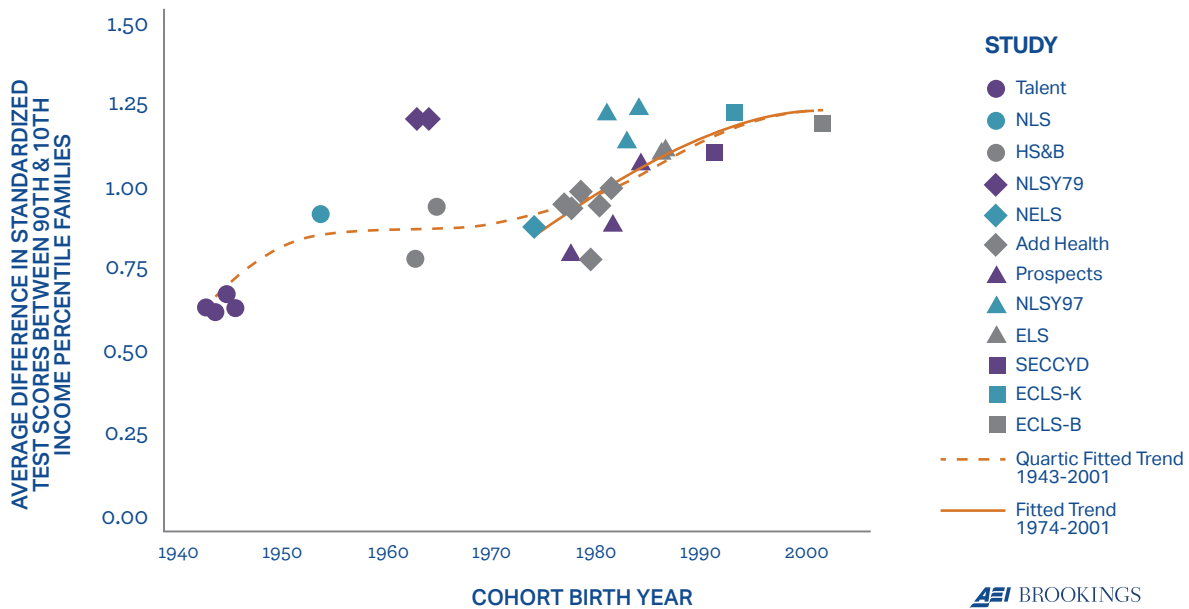
Unfortunately, just as the payoff to education has increased, and getting into the middle class requires more education than in the past, the gap in educational

**FIGURE 9  
MEDIAN FAMILY INCOME OF ADULTS AGE 30–39 BY  
EDUCATION LEVEL, 1964–2014**



Note: The CPS changed the phrasing of the educational attainment question in 1992, which accounts for that year’s sudden drop among the less-than-high-school group.  
Source: Census’ Annual Social and Economic Supplement to the Current Population Survey, Inflation adjusted using PCE deflator.

**FIGURE 10**  
**TREND IN 90/10 INCOME GAP IN READING, 1943–2001 COHORTS**



Source: Sean Reardon, "The Widening Academic Achievement Gap Between the Rich and the Poor: New Evidence and Possible Explanations," in *Whither Opportunity? Rising Inequality, Schools, and Children's Life Chances*, edited by Greg Duncan and Richard Murnane (New York: Russell Sage Foundation, 2011), p. 91-116.

attainment and achievement between children from poor and better off families has been rising. The gap in reading scores between children whose families are in the top and bottom ten percent of the income distribution appears to have risen over the second half of the 20th century (Figure 10);<sup>54</sup> so, too, has the gap in attainment of higher education between high- and low-income youth, at least among women.<sup>55</sup> Schools and universities, the traditional route to economic wellbeing and economic mobility, may actually expand the gaps in educational attainment and achievement and therefore the gap in income between children from low-income families and more advantaged families.<sup>56</sup> An important way to reduce poverty and increase mobility is therefore to focus on helping those at the bottom reduce the education gap.

## SUMMARY AND CONCLUSION

The nation has made considerable progress in reducing poverty rates, especially if we use measures of poverty

that include government benefits or are based on consumption rather than income. But the progress has been slow and tends to be substantially offset by the explosion of single-mother families with their lower income and higher poverty rates and by the declining employment and earnings of men.

In contrast to the decline in poverty rates, there has been no progress in increasing economic mobility. Many factors account for this lack of progress in increasing opportunity in America, but inferior education, the decline of work and the stagnation of wages, and the movement away from the married-couple family all contribute powerfully. In the chapters ahead, we focus on how to improve education, increase work and wages, and reverse or compensate for the rise of single-parent families. Unless we as a nation can reduce these basic causes of high poverty and stagnant economic opportunity, we are not optimistic that more than modest progress will be possible.