Poverty and poverty reduction among non-elderly, nondisabled, childless adults in affluent countries: The United States in cross-national perspective

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Introduction

Janet C. Gornick (Graduate Center, City University of New York), David Brady (University of California, Riverside & WZB Berlin Social Science Center), Ive Marx (University of Antwerp), and Zachary Parolin (Bocconi University) argue that social policy in the United States (U.S.) leaves too many of its citizens exposed to financial hardship and poverty, in large part due to major gaps in coverage. In contrast, affluent countries typically rely more than the U.S. on universal income protection programs that serve recipients spanning income levels and demographic characteristics. As a result, in the U.S., some groups often fall between the cracks of existing social protection provisions. One such group is non-elderly, childless, nondisabled, adults (the focal group).

Using data from the Luxembourg Income Study (LIS) Database, the authors assess poverty and poverty mitigation in the U.S. compared to six other high-income countries: Canada, the Czech Republic, Finland, Ireland, the Netherlands, and the United Kingdom (U.K.). These countries were selected for closer analysis because they reduce a larger percentage of poverty than does the U.S. and (with the exception of Canada) they have a lower post-tax-post-transfer poverty rate than the U.S.

Poverty and poverty mitigation in the focal group: The U.S. over time

From 1987 to 2002, in the U.S., the post-tax-post-transfer poverty rate in the focal group was below 8 percent. It reached 8 percent in 2003, 11 percent in 2013, and then stabilized at about 10 percent. In contrast, the poverty rate among adults with children declined modestly over time, especially after 1993, with low points near 12 percent in 2000, 2004, 2009, and 2015.

The authors show that the childless share of poor nondisabled adults increased by roughly 50 percent from 1987–93 to 2018–19. The demographic shift in the overall adult population over the same period was less pronounced than among the poor.

The U.S. in cross-national perspective: Analysis of poverty rates and poverty reduction in the U.S. and in six comparator country cases

Before accounting for taxes and transfers, the U.S. poverty rate for childless adults is 13 percent, which is lower than the rates in Canada (19 percent), Finland (18 percent), the Netherlands (16 percent), and Ireland (13 percent), although higher than in the U.K. (9 percent), and the Czech Republic (10 percent). When focusing on post-tax-post-transfer poverty rates, the U.S. performs second-to-worst among the study countries, with a 10 percent poverty rate.

The authors argue that the comparatively strong U.S. performance for pre-tax-pre-transfer poverty among nonemployed childless adults is likely due to a larger share of nonemployed childless adults being married/partnered in the U.S. (51 percent, the highest among the studied countries), and also to the fact that, in the U.S., 74 percent of these adults have at least one employed household member (the second-highest among the studied countries)—although they themselves are not employed. The post-tax-post-transfer story differs: The U.S. has the second-highest rate of poverty among employed childless adults and the highest poverty rate among nonemployed childless adults.

The U.S. reduces poverty through taxes and transfers combined, among childless adults, by 19 percent, by far the lowest rate among the seven studied countries. In contrast, the comparison countries cut poverty among childless adults by substantially more—ranging from 35 percent in Canada to 66 percent in the Netherlands. The authors find that the U.S. reduces poverty among households with children by 28 percent, the lowest among the seven studied countries.

The authors argue that, in the U.S., income taxes and social security contributions paid by households increase the poverty rate by 15 percent relative to the pre-tax-pre-transfer rate, which is the highest percentage among the seven studied countries. The U.S.' poor performance is due more to its social security contributions (mainly, Federal Insurance Contributions Act [FICA] payments) than other forms of income taxation. Examining only employed adults, the U.S. performs the worst among the seven countries in the extent to which income taxation and social security contributions, combined, add to the poverty rate (i.e., 25 percent). Among nonemployed adults, the U.S. still ranks unfavorably, with taxes increasing the poverty rate among jobless childless adults by 5 percent. With respect to income transfers, the U.S. again performs the worst among the seven countries in the extent to which transfers move childless adults out of poverty. This is true whether examining all childless adults, employed childless adults, or nonemployed childless adults.

Pension benefits play a relatively strong role in reducing poverty for childless adults. Among the employed, across this group of countries, pension income reduces poverty by 24 percent to nearly 90 percent, and, among the not employed, by 16 percent to 58 percent. It is crucial to note that some of the focal adults (aged 25 to 59) do receive pension income, but, for the most part, pension income in these households is received by older persons with whom the adults in the sample reside. This points to the importance of coresident extended families for poverty mitigation among non-elderly childless adults.

Public social benefits reduce poverty among childless adults by only 6 percent in the U.S., the least amount among the study countries. In contrast, poverty declines, due to these public social benefits, by rates ranging from 17 percent in the U.K. to 57 percent in Finland. The only category where the U.S. outperforms the others is private transfers, although these transfers reduce poverty by only 5 percent among childless adults in the U.S.

Underlying policy mechanisms: Identification and assessment

The authors argue that pre-tax-pre-transfer poverty rates are shaped, in part, by how well jobs pay. The low-pay incidence, defined as the share of workers earning less than 67 percent of median earnings, is highest in the U.S. (23 percent) in the context of the studied countries. Two factors matter for how well jobs pay: the level of the minimum wage and the extensiveness of collective agreements. The U.S. federal minimum wage sits at just 27 percent of the median wage, while in every other country in the comparison group, the minimum wage sits at well over 40 percent. A substantial and growing number of U.S. states and a few cities, though, have set minimum wages significantly above the federal level. At the same time, collective bargaining coverage of workers in the U.S. is much lower than in the comparison countries, the authors say.

Redistribution, via taxes and transfers, has a more limited impact on poverty outcomes in the U.S. than it has in the other study countries, according to the authors. Income transfers for the focal group in the U.S. have a limited impact on poverty mitigation compared to the other six studied countries. In the U.S., income transfers constitute 6 percent of post-tax-post-transfer income among the employed, and 35 percent among the nonemployed. The former value is greater in every comparison country, except for the U.K. (also 6 percent), and the latter value is substantially greater in all the other countries. The U.S. spends only 1.5 percent of its GDP on cash benefits for the working-age population, which is less than half of that reported in all the other countries.

The lack of a federal guaranteed cash-based safety net, meager unemployment benefits, and the lack of an unemployment assistance program provide little protection against poverty for nondisabled childless adults. The authors stress that adequate poverty prevention is not a matter of getting one scheme right. Social protection is usually provided via a multitude of programs. They also stress that more adequate social protection is perfectly compatible with a well-functioning labor market.

Policy lessons for the U.S.

The authors argue that the U.S. could reduce poverty among childless adults by increasing the minimum wage, supporting collective agreements, raising the floor below which no income taxes are levied, extending the EITC to more childless workers and increasing EITC benefits, as well as making social security contributions progressive instead of flat. The U.S. could also reduce poverty in the focal group by increasing income transfers, especially by establishing a universal cash safety net, a crucial component of anti-poverty policy in many other high-income countries. Finally, the authors argue for instituting unemployment assistance for those who do not qualify for unemployment insurance. The overarching question is not how to mitigate poverty among childless adults in the U.S., but how to create the political will to do so.