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Changing poverty and changing antipoverty policies

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It is not surprising that the severe economic downturn that began in late 2007 reduced employment and earnings and raised the official poverty rate.¹ What many readers may find surprising, however, is that even during the long economic expansions of the 1980s and 1990s, the official poverty rate remained higher than it was in 1973. Since the early 1970s, dramatic changes in the economy, in social conditions that affect the demographic composition of the population, and in public policies have combined to reduce the antipoverty effects of economic growth. Even though gross domestic product per capita has grown substantially since the early 1970s, the antipoverty effects of this growth were substantially lower than they were in the quarter century that followed the

end of World War II. Economic growth is now necessary, but not sufficient, to significantly reduce poverty. Antipoverty policies must be reformed and expanded to address these new demographic and economic realities.

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

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cies would supplement the incomes of today’s low-income families, while others aim to prevent poverty by raising employment and earnings—either in the near future, or in the next generation.

Many researchers consider the current income-based poverty measure to be outdated. However, the official poverty rate remains one of our nation’s most important social indicators. Despite its flaws, it provides valuable information on how far the nation still has to go to reach President Johnson’s goal, set out in 1964, when he declared “War on Poverty”—the elimination of income poverty.

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

In this article, we review three cross-cutting factors that shape the extent and nature of poverty and how those factors affect prospects for reducing poverty: the changing role of race and ethnicity in the labor market and society; changing gender roles that influence both trends in labor force participation of women and patterns of family formation and childbearing; and the recent history of social welfare programs and policies.

The changing role of race and ethnicity: Uneven progress and persistent disparities

The large and persisting differences in poverty rates between racial and ethnic groups are an enduring and troubling aspect of our nation’s social and economic history. In 1950, about three out of four black Americans had incomes below the level specified by the official poverty line; in contrast, about 35 percent of whites were poor. Both the high absolute level of black poverty and the disparity between the economic status of whites and blacks, challenged the American ideal of equal opportunity. The second half of the twentieth century was a period of great, but uneven and incomplete, progress. Overt, legally sanctioned discrimination explicitly based on race and ethnicity has largely been eliminated, but public

policies and institutional practices continue to have effects that differ by race and ethnicity, disadvantaging minorities. Moreover, the lingering effects of past discrimination in schooling, housing markets, and labor markets reduce the ability of racial and ethnic minorities to take full advantage of contemporary opportunities. Although the absolute gap in poverty rates between whites and racial and ethnic minorities has narrowed since the 1960s, continuing large disparities raise challenges for antipoverty policies.

The progress in reducing the official poverty rate and the narrowing of racial and ethnic disparities reflect overall economic growth during the last half of the twentieth century, expanded income support policies, especially for the elderly, and the elimination of most explicit discriminatory policies and practices. Remaining disparities reflect the vulnerability engendered by a history of disadvantage, as well as more subtle forms of discrimination—institutional structures, policies, and attitudes that have been more resistant to change.

The persistent disparity in poverty rates across racial and ethnic groups reflects both race-specific and race-neutral factors. Because about half of all the 37 million poor Americans are either black or Hispanic, race-neutral economic changes and public policy changes that broadly affect low-wage workers and low-income families will disproportionately affect racial or ethnic minorities. But race and ethnicity also directly shape the context and content of public policies and other factors in ways beyond those associated with the disproportionate representation of minorities among the poor.²

There is a long history of contentious debate among social scientists, policymakers, and the public about the factors that account for declines in marriage, increases in nonmarital childbearing, and racial and ethnic differences in these patterns. Dramatic changes in norms have occurred across racial and ethnic and socioeconomic groups concerning premarital sexual activity, nonmarital fertility, cohabitation, divorce, and nontraditional family formation. Changes in women’s employment and related changes in the timing of marriage and childbearing have had differential effects by education level, and therefore by race.³ Some analysts also attribute the relatively low rates of marriage and high rates of nonmarital childbearing among blacks to declines in the number of black men who earn enough to support a family.⁴ The relatively low proportion of black men with family-supporting earnings reflects a decline in the relative wages of less-educated men, the declining availability of jobs, and higher incarceration rates. Moreover, the decline in the work and earnings of black men, especially young black men, stands in contrast to growing employment and earnings for black women.⁵ These changing economic realities interact with changing societal norms and expectations regarding

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marriage and parenting.⁶ Regardless of causal factors, large differences in family structure have implications for labor market behaviors and the receipt of government benefits, which have their own independent effects on the racial or ethnic disparity in poverty rates. Moreover, some scholars suggest that the racial and ethnic composition of the poor and of potential program beneficiaries influences the generosity of public programs.

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

Changing gender roles and expectations

Since the 1960s, the U.S. and most other advanced economies have experienced dramatic changes in gender roles and expectations concerning women's choices in the domains of education, marriage, childbearing, and employment. Growth in women's employment reflects large increases in married mothers' work in the 1970s and 1980s, and in the employment of single mothers in the 1990s. In part because of changing gender roles and in part because of increased labor market opportunities, women are staying in school longer, marrying at later ages, and having fewer children.

A large increase in the percentage of children who reside with only one parent has also occurred. This reflects higher divorce rates after the 1960s, a delay in the age of first marriage, a decline in the percentage of women who marry, a lower birth rate for married women, and a somewhat higher birth rate for unmarried women. Declines in marriage and increases in nonmarital childbearing have increased women's risk of poverty, whereas increased educational attainment and employment and declines in the number of children per woman have contributed to reductions in poverty.⁷

These profound changes in gender roles and market work have important implications for the design of public policies and employer practices. Issues of family leave, access to affordable child care, and child support payments from noncustodial parents have become widespread concerns that affect the resources available to children and families across the distribution of income. In general, low-wage jobs offer fewer family-friendly benefits than do higher-wage jobs. Moreover, most public policies designed to help parents balance work and family responsibilities are not well-designed for low-income families.

The increased employment of mothers and changes in family-formation patterns have directly influenced changes in policies and programs focused on low-income women. Although Aid to Families with Dependent Children (AFDC) was designed in the 1930s to allow poor mothers (particu-

larly, white widows) to stay home and care for their children, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (welfare reform) mandated work requirements for almost all cash welfare recipients, even the mothers of infants. This change in expectations about the market work of welfare recipients in part reflects the increased work of mothers not receiving welfare.

Most mothers of young children work for pay at some time during the year, but most do not work full time, all year. Nonetheless, many states have Temporary Assistance for Needy Families (TANF) work requirements that expect such mothers to work full time. Moreover, public policies do not adequately address the reality that many poor women live in less-stable housing, in less-safe neighborhoods, and have fewer options to purchase acceptable child care than their middle-class counterparts. This makes it more difficult for poor mothers to find and hold jobs. Effective antipoverty policy will need to better respond to the challenges associated with changes in family structure and the increasing employment of mothers.

Changing social programs and policies

When, in January 1964, President Lyndon Johnson declared War on Poverty, his economic advisors thought that the programs and policies that were being launched, together with a growing economy that raised the wages of most workers and generated low unemployment rates, would eliminate poverty as officially measured within a generation. Their expectations were incorrect—the official poverty rate was as high in 2007 as it was in 1968. However, given the economic conditions of the 1960s, their optimistic projections were reasonable ones. Poverty had fallen in the 1950s and 1960s, and Johnson's economists were confident that their fiscal and monetary policies could moderate the business cycle and keep the economy growing.⁸

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

Many among the poor in the mid-1960s were not expected to work—the elderly, disabled, and single mothers with young children—and many poor adults were too old to productively invest in education and training. As a result, in the decade following declaration of the War on Poverty, there was rapid

growth in social security and welfare benefits designed to raise the incomes of those not benefiting from economic growth.

A growing economy, expanding economic opportunities, and more generous public benefits all contributed to a rapid decline in poverty from 19 percent to 11 percent between 1964 and 1973. However, the poverty declines came to an end in 1973, and since that time the official poverty rate has never fallen below 11 percent. The following decades, for the most part, have been characterized by slower economic growth than in the quarter century following World War II. Even this modest economic growth would have reduced poverty, had it not been accompanied by rising earnings and family income inequality, with those at the bottom of the income distribution falling further behind those at the top. For most groups at high risk of poverty (except the elderly), growth in government benefits also slowed after 1973.

Our reading of the evidence is that poverty has not fallen below the 1973 level in large part because of economic changes that led the real annual earnings of working male high school graduates to fall in the three decades after 1973.⁹ The poverty rate would be somewhat lower today if fewer low-skilled men had withdrawn from the labor market and if marriage rates had not declined so much over these decades. However, these effects are small compared to the poverty-increasing effects of a labor market that shifted from a quarter century of rapid economic growth that benefited all workers to a quarter century of declining wages and employment prospects for workers with no more than a high school degree.

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

Changing policies to reduce poverty in the twenty-first century

Given current economic, demographic, and public policy contexts, poverty is not likely to fall substantially in the near future. This was evident even before the severe recession that began in December 2007 and the world economic crisis that began in fall 2008. Although the authors agree on this pessimistic near-term forecast, they are optimistic that poverty can be reduced significantly in the long term if the public and policymakers can muster the political will to pursue a range of promising antipoverty policies. The policies proposed by the authors would bring about changes in the labor market, in family policies, in schools, and in the health care system that would raise the employment and earnings and reduce the expenses of low-income families and increase opportunities for

their children. Our own high-priority antipoverty policies, a subset of the policies discussed in the articles that follow, are based on three fundamental assumptions about trends in work effort, patterns of family formation, and continuing changes in how the globalized economy affects the employment and earnings prospects of less-educated workers.

First, our proposals are based on the assumption that earnings, and not government cash benefits, will remain the primary source of family income for most adults who are not elderly and not disabled. We do not anticipate that an income-tested cash entitlement program like Aid to Families with Dependent Children will be reinstated. Since the early 1980s, and especially in the aftermath of the 1996 welfare reform, public policy changes have increased the extent of income support for the working poor and reduced cash benefits for the nonworking poor who are not elderly or disabled. We see no evidence to suggest that this pattern will be reversed.

The elderly and persons with disabilities are generally not expected to work to support themselves. However, the expectation of work has evolved so that it now includes most other adults. The 1996 welfare reform allows states to set their own expectations for work; some states now require new mothers to participate in work-related activities once their child is three months old. Even though Magnuson and Votruba-Drzal and Waldfogel document that requiring mothers to return to work shortly after giving birth has negative implications for child development, the evolution of public policy since the 1980s suggests that work will be expected of these women and exemptions from the work requirement will continue to be restricted.¹⁰ Thus, as we prioritize antipoverty policy proposals, we assume that most adults, including the parents of young children, will work for pay.

Our second assumption relates to changes in societal attitudes about marriage and childbearing and the changes in family structure that have occurred since the 1960s. We assume that many children will continue to be born to unmarried parents or will spend part of their childhood living with a divorced parent. Children who spend all or most of their childhood living with only one biological parent (usually their mother) have a much higher risk of poverty than children living with two parents. Reducing nonmarital births, especially teen births, is a longstanding social policy goal, and marriage promotion policies are a recent policy innovation. However, even if these public efforts to change family formation patterns and fertility behaviors have effects that are larger than we expect, it is likely that they will only modestly reduce the total number of families with children that are poor. In part, this is because the noncustodial fathers of unmarried mothers tend to have poor labor market prospects and low annual earnings, so even if these parents marry, they are likely to have a poverty rate that is much higher than the rate for currently married couples.¹¹

Our third assumption deals with the labor market prospects of workers with no more than a high school degree. Even though the economy has produced a substantial increase in the number of jobs since the 1970s, the inflation-adjusted wages of the least-educated workers, especially men, were

no higher in 2006 than in 1973, and their employment rates were lower.¹² We see little reason to expect dramatic growth in wages for workers at the bottom of the labor market. Indeed, the recession that began in December 2007 has already led to significant job loss and put downward pressure on wage rates. We thus assume that for the foreseeable future, many less-educated workers will continue to have difficulty earning enough on their own to support a family. The uneven economic growth of the past 35 years will continue, and hence, on its own, will not significantly reduce poverty.

Given these three assumptions about trends in work, family structure, and the antipoverty effects of economic growth, we conclude that an antipoverty policy agenda for the twenty-first century should pursue three fundamental goals.¹³ The first is “to make work pay.” This requires that government regulations concerning wages and working conditions (such as the minimum wage or the ability of workers to unionize) and government benefits for low-wage workers (such as the Earned Income Tax Credit or subsidized child care) should allow most workers to avoid poverty. Because the 1996 welfare reform greatly reduced access to cash welfare, there is an additional need for policies to provide work opportunities for those who are willing to work but cannot find steady employment either because of poor economic conditions or because they face substantial employment barriers (such as physical health and mental health problems and learning disabilities) that make it difficult for them to work steadily.

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

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

Conclusion

Taken as a whole, the articles that follow provide a careful review of the evidence concerning economic changes,

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

¹This article draws upon “Changing Poverty and Changing Antipoverty Policies,” in *Changing Poverty, Changing Policies*, eds. M. Cancian and S. Danziger (New York: Russell Sage Foundation, 2009).

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¹⁰K. Magnuson and E. Votruba-Drzal, “Enduring Influence of Childhood Poverty;” and J. Waldfogel, “The Role of Family Policies in Antipoverty Policy;” both in *Changing Poverty, Changing Policies*.

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¹²R. Blank, “Economic Change and the Structure of Opportunity for Less-Skilled Workers.”

¹³For more detail on our policy proposals, see “Changing Poverty and Changing Antipoverty Policies.”

Changing Poverty, Changing Policies

Maria Cancian and Sheldon Danziger, Editors

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