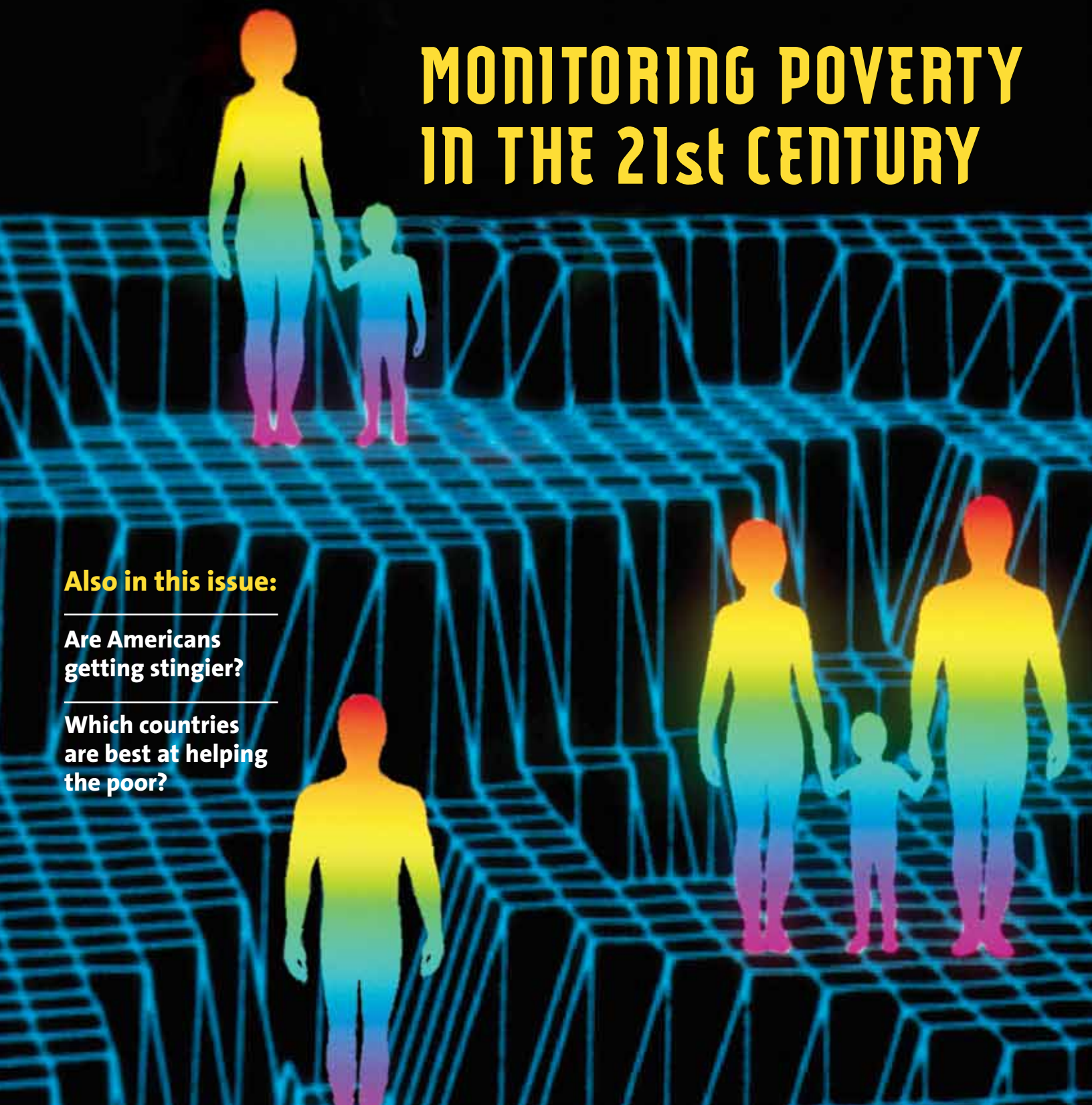
Pathways
a magazine on poverty, inequality, and social policy
Fall 2011

MONITORING POVERTY IN THE 21st CENTURY



Also in this issue:

Are Americans getting stingier?

Which countries are best at helping the poor?

Pathways

a magazine on poverty, inequality, and social policy

SUBSCRIBE NOW!
Would you like to continue receiving a free copy of Pathways?

Sign up for hard copy delivery or PDF notification at www.inequality.com

Generously supported by:

the Elfenworks Foundation
www.elfenworks.org

U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation
www.aspe.hhs.gov

Stanford Center for the Study of Poverty and Inequality
www.inequality.com

Table of Contents

2 **Editors' Note**

TRENDS

3 **Has the Great Recession Made Americans Stingier?**
Rob Reich and Christopher Wimer
There's less money to go around in hard times. Have Americans responded to the downturn by reining in their signature commitment to helping the poor?

RESEARCH IN BRIEF

8 **A Report on New Poverty and Inequality Research**
Lucas Manfield and Brooke Conroy Bass
More evidence on how credit cards hammer the poor; a new test of whether job ads create gender inequality in the labor market; a surprising ray of hope for the long-term unemployed; and other cutting-edge research.

MONITORING POVERTY IN THE 21ST CENTURY

10 **The Supplemental Poverty Measure: A New Tool for Understanding U.S. Poverty**
Rebecca Blank
One of the key architects of the new Supplemental Poverty Measure (SPM) lays out the case for rethinking how we measure poverty, how we understand it, and even what to do about it.

15 **Understanding Local Poverty:**
Lessons from New York City's Center for Economic Opportunity
Mark Levitan, Christine D'Onofrio, John Krampner, Daniel Scheer, and Todd Seidel
Does an SPM-style measure actually work? A report from the trenches on how the new measure helps us assess and craft antipoverty policy.

20 **The Future of U.S. Poverty Measurement**
Christopher Wimer, Barbara Bergmann, David Betson, John Coder, and David B. Grusky
Is it the end of (poverty measurement) history? A discussion of how to move forward in our brave new post-SPM world.

INTERVENTIONS

26 **Spotlight On...Homeless Prenatal Program**
Brooke Conroy Bass
Is there a simple economic case for investing in homeless mothers in San Francisco? The Homeless Prenatal Program suggests there is.

28 **How Rich Countries Lift Up the Poor**
Lane Kenworthy
Many countries have experienced substantial economic growth in the last 30 years. But only some countries have passed on the fruits of this growth to the poor. What accounts for such differences in trickling down?

Pathways
a magazine on poverty, inequality, and social policy

Fall 2011

STANFORD CENTER FOR THE STUDY OF POVERTY AND INEQUALITY
Building 370, 450 Serra Mall, Stanford University
Stanford, CA 94305-2029
Tel: 650-724-6912 Fax: 650-736-9883
Email: inequality@stanford.edu
Website: www.inequality.com

The Stanford Center for the Study of Poverty and Inequality is a program of the Institute for Research in the Social Sciences. Funding from the Elfenworks Foundation gratefully acknowledged. For more information, go to www.elfenworks.org.

This publication was supported by Grant Number AE00101 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, and awarded by Substance Abuse Mental Health Service Administration.

Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, and awarded by Substance Abuse Mental Health Service Administration.

Editors' Note

Why devote an issue of *Pathways* to the seemingly arcane topic of poverty measurement? It might be assumed, after all, that issues of measurement are best left to the wan statistician hunkered down at her or his computer. The contrary premise behind this issue is that the measurement of poverty, however unsexy it may seem, affects how we view and address poverty and that it shouldn't therefore be treated as mere sidebar statistics.

It bears noting that the United States was once an innovator in measuring and conceptualizing poverty. To be sure, most nations care deeply about the low-income population, but the United States and the United Kingdom are the only countries with state-mandated measures of poverty. Although poverty measurement is, in this sense, a distinctively U.S. commitment, that's not to suggest that we've done an especially good job of it of late. The first official U.S. poverty measure was developed in the 1960s and has essentially remained fixed over the last half century despite fundamental change in (a) our social programs and how they take on poverty; (b) our health care system and its role in generating poverty; and (c) the gender composition of the labor force and, as a result, how children are reared and childcare is afforded. The purpose of this issue is to explore how these and other changes should be taken into account in measuring poverty.

Why has our official poverty measure remained frozen for so long? The simple answer: politics. We haven't developed a politics-protected process for revising and changing our measurement of poverty to the extent that we have for other equally crucial labor force statistics. The resulting paralysis in poverty measurement means that the government doesn't have the high-quality data it needs to make those decisions that *are* properly political. If we measured poverty with a well-crafted tool, we would then have the opportunity to take the poverty implications of major policy decisions into account. We would also have the opportunity to choose *not* to take those implications into account. In the absence of a well-crafted measure, that crucial political choice is, by default, wrested away from all of us.

There is, of course, much good news on this front. In our opening piece, we've asked Rebecca M. Blank, Acting Secretary of Commerce and Under Secretary for Economic Affairs, to describe the new Supplemental Poverty Measure (SPM), a carefully revised measure that overcomes many of the problems that have long plagued the official measure of poverty. The next article, authored by a team from New York City's Center for Economic Opportunity, shows how a local SPM-style measure works in practice and, in particular, how it can be used to evaluate the effectiveness of local, state, and federal antipoverty policies. In the third and final piece, a team from the Stanford Center for the Study of Poverty and Inequality weighs in to discuss the near- and long-term future of poverty measurement, with a special focus on how the SPM, revolutionary though it is, might yet be improved.

The development of a credible state-mandated definition of poverty is critical precisely because there isn't any intrinsic dividing line that separates the poor from the non-poor in the way that, say, serfs were distinct from lords in the feudal period. As such, it's an important task of the government to fix that line, to give it some institutional backing, and thereby allow the rest of us to assess what generates poverty and how best to reduce it. Although the SPM won't play any role in administering U.S. welfare programs, it does nonetheless provide much-needed weight behind a given set of measurement decisions. We've dedicated this issue to assisting that historic process in some small way.

—David Grusky & Christopher Wimer, Senior Editors

Has the Great Recession **Made Americans Stingier?**

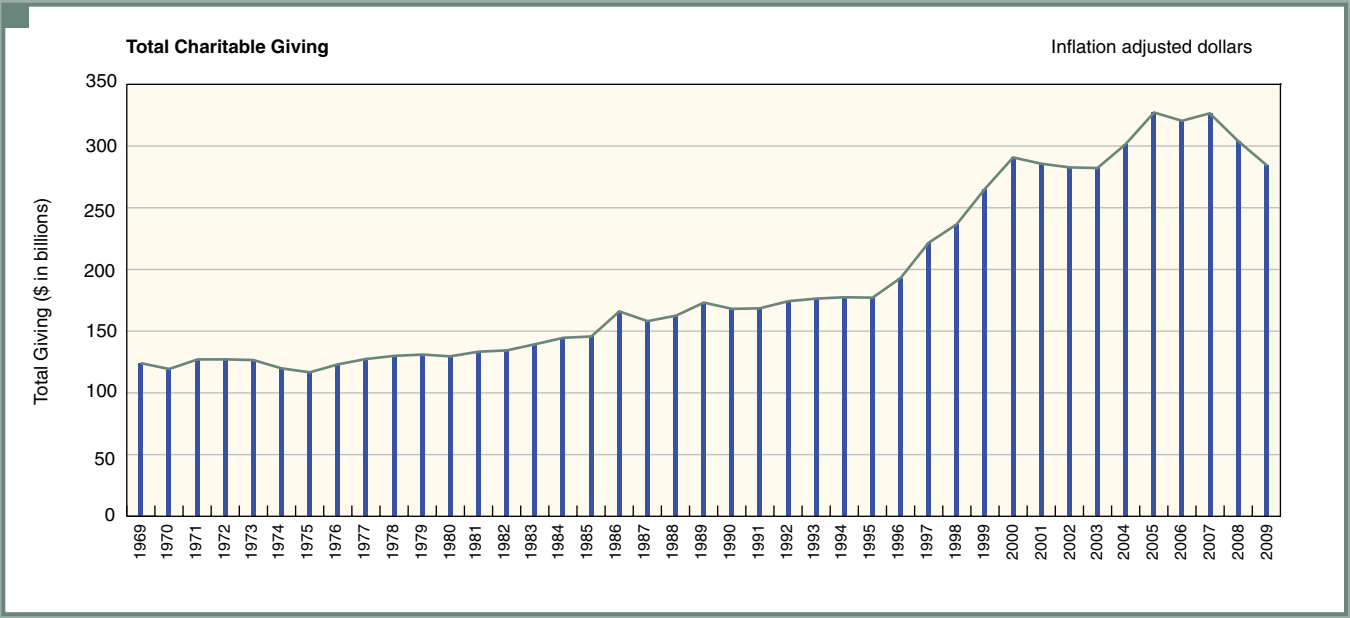
BY ROB REICH AND CHRISTOPHER WIMER

Americans have long been, and continue to be, a famously charitable people. While Europeans have well-developed and comprehensive welfare states, the United States has always relied more on private charity to fund collective goods, including aid and assistance to the poor. But how does this dependence on charity play out during economic downturns? Does it increase as well-off Americans respond to the rising needs that a recession spawns? Or have Americans and American institutions tightened the purse strings during hard times despite such rising needs?

There's good reason to worry about a possible substantial decline in giving. The dominant source of charitable giving in the United States is giving by individuals (as compared to giving by foundations or corporations), yet such individual giving may be especially sensitive to changes in the economy. Indeed, because the economic downturn affected individual income and wealth so much, it may have generated substantial declines in individual giving, which is troubling because it's individual giving, by live and dead donors, that accounts for roughly 80 percent of all charitable dollars.

The chief source of data on charitable giving over time comes from the Giving USA Foundation, an organization devoted to promoting research, education, and public understanding of philanthropy. The Giving USA Foundation estimates, for every year since 1968, the amount of giving for four different types of giving sources and nine types of giving recipients. As Figure 1 shows, the economic downturn of 2008 has given rise to one of the largest year-over-year declines in charitable giving since the late 1960s. Total giving in 2008 fell by 7 percent in inflation-adjusted dollars, from $326.57 billion to $303.76 billion. In 2009, matters worsened, with charitable giving dropping

FIGURE 1 Total Charitable Giving



Source: GivingUSA Foundation

another 6.2 percent to approximately $284.85 billion. Estimated giving in 2010 was $290.89 billion, a modest uptick reflecting, we suspect, a modestly improved economy. Overall, charitable giving has dropped 4.2 percent between 2008 and 2010. Despite this drop, charitable giving remains at extraordinarily and historically high levels, with only 2005 to 2007 showing higher levels of overall giving.

Two recent Harris Interactive polls, conducted in January 2009 and September 2010, confirm that, as a result of the current economy, Americans are giving smaller amounts to charities (31 percent less in both polls), and to fewer organizations (24 percent and 19 percent fewer, respectively)—evidence that is consistent with the idea that charitable giving is contracting due to economic belt-tightening. There is evidence, moreover, that some people have stopped giving altogether, as 12 percent of those surveyed in the 2010 survey reported giving nothing, up from 6 percent in 2009. We might expect that, as the economy emerges from recession, these people will return to giving at pre-recession levels.

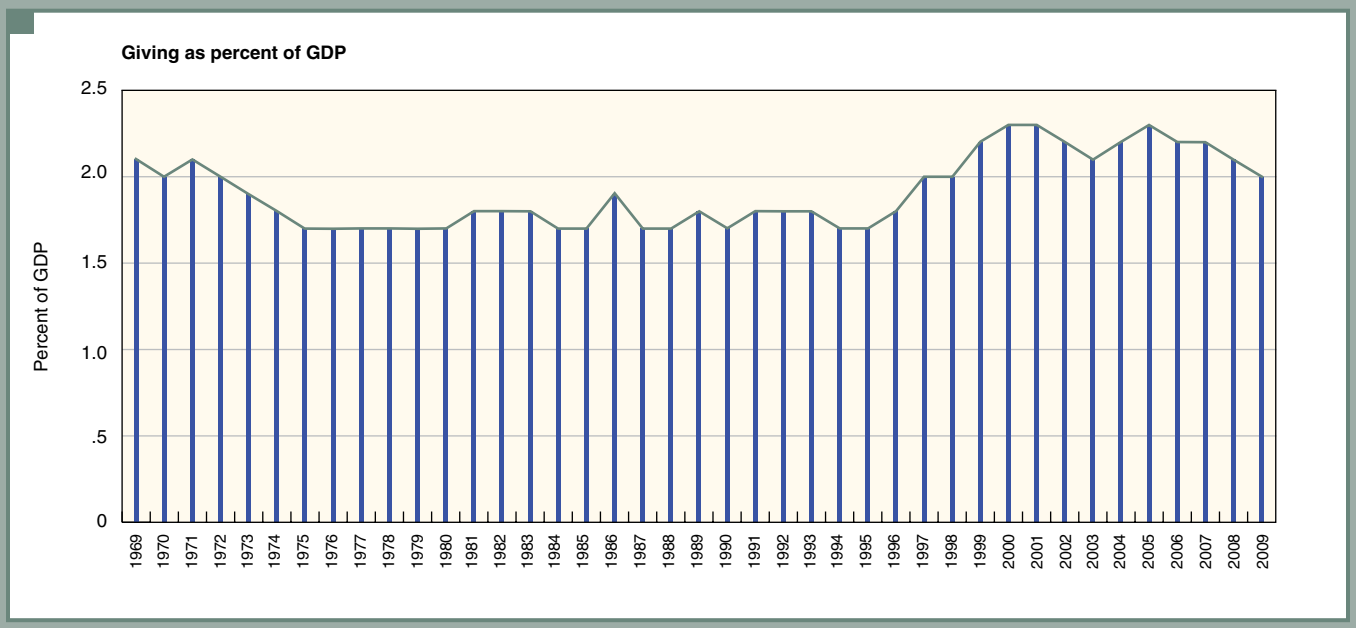
Such a large reduction in the absolute sum of dollars donated, however, might not indicate that Americans are giving any less in *relative* terms. That is, Americans might be giving just as much of their income, proportionally, as they before did. If, for example, Americans consider giving to charity an obligation, or if their giving is a product of a so-called "charity budget" that is included in their overall spending, they may at least be giving the same *proportion* of (declining) income to charitable causes. Is this indeed what the data support?

The answer is a resounding "almost." As shown in Figure 2, giving as a percentage of GDP has fallen only slightly in the last year, declining from 2.1 percent in 2008 to 2.0 percent in 2009 and 2010. The all-time high in giving (as a percentage of GDP) was 2.3 percent in 2005. The recent decline in absolute giving therefore is tracking overall downward trends in the broader economy. Figure 2 shows that total charitable giving as a percentage of GDP has fluctuated within a relatively narrow band from 1.7 percent to 2.3 percent over the past 40 years. Although not shown here, the stability of relative giving levels is further indicated by trends in charitable donations as a percentage of either individual disposable income or essential personal outlays. In both cases, there is little or no change over the past two years, again suggesting that declines in giving are attributable to declines in available money, not to some stinginess that kicks in during economic hard times. Charitable giving, then, appears to operate in something approaching a cyclical manner, contracting during hard times and expanding as incomes rise.

It is perhaps reassuring that there's no evidence of increasing stinginess in times of need. Then again, neither is there evidence of increased largesse, which is problematic because need is countercyclical. Indeed, because need becomes greatest as the economic pie contracts, our reliance on charity and the nonprofit sector contains some built-in structural challenges, at least relative to other countries that can more readily engage in direct governmental spending when additional needs must be met.

Though individual giving is by far the largest source of charitable donations in this country, our research also found that giving from corporations, foundations, and bequests likewise dropped substantially in the recent recession. We did find evidence, however, that corporate and foundation dollars made some adjustment to the recipients of their giving and targeted

FIGURE 2 Giving as Percent of GDP



Source: GivingUSA Foundation

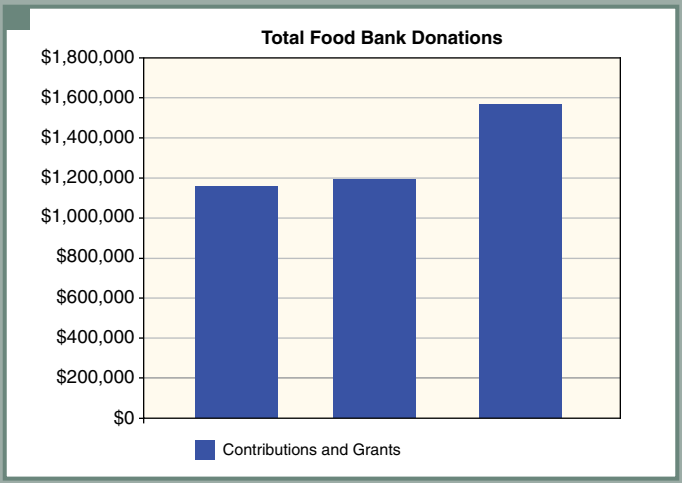
organizations in geographical areas of significant need. New research suggests that, as the recession deepened, some foundations shifted strategy in ways that directed resources to areas hardest hit by the crisis. Former CBO director Douglas Holtz-Eakin and Cameron Smith, harnessing data from a sample of 2,672 foundation grants, found that in 2009 and 2010, foundations directed a greater proportion of their grants to areas with high levels of unemployment and high levels of mortgage delinquency rates. For example, in 2008, low-unemployment states received 563 grants totaling $126 million, while high-unemployment states received only 422 grants worth $29.9 million. But in 2009, the pattern reversed, with high-unemployment states receiving 803 grants worth $200 million and low-unemployment states receiving 706 grants worth $112 million. As the recession deepened, states and localities with more profound problems began receiving a larger share of foundation funding, suggesting a certain level of adaptiveness among American foundations.

Not all income for nonprofits comes from charitable gifts. Though not tracked by Giving USA, it appears that charities are also being hurt by reduced giving from cash-strapped state and local governments. According to a recent report by the National Council of Nonprofits, which examined state and local budget trends, governments are increasingly cutting programs similar to those administered by nonprofits (presumably expecting nonprofits to pick up the slack); withholding contract payments for services already rendered by nonprofits; and imposing new fees and taxes on nonprofits that add to their operating funds. Thus, in addition to receiving less from all forms of donors, nonprofits are also being challenged by the actions of strapped state and local governments.

Is Anyone Escaping the Belt Tightening?

It is perhaps reassuring that there's no evidence of increasing stinginess in times of need. Then again, neither is there evidence of increased largesse.

FIGURE 3 Contributions to Food Banks Surge in 2009



Source: Authors' tabulations based on contribution and grant records from food banks' annual reports, IRS Form 990s, and Guidestar/Charity Navigator records (N = 40, of food banks in America's 50 largest cities).

Declines in giving are far-reaching, hitting nearly all types of organizations, from health and human services organizations to environmental and arts organizations.

The foregoing data raise the question: Are any types of nonprofits doing well despite the recession? Our research suggests that declines in giving are far-reaching, hitting nearly all types of organizations, from health and human services organizations to environmental and arts organizations. One type of recipient, however, is fairly resistant to recessionary pressures: religious organizations.

Giving to religious organizations—which includes houses of worship and governing bodies of faith groups, and *excludes* faith-based charities and service organizations—fell by a modest 3 percent in 2008, down to $101.25 billion. In 2009, giving to religion barely budged. Indeed, a separate study of the financial statements of 1,148 religious organizations by the Evangelical Council for Financial Accountability found that contributions declined by just 0.1 percent from 2007 to 2009, though declines were larger for groups with smaller budgets. Giving to religious organizations is, by a large margin, the biggest category of charitable giving in the United States, accounting for more than a third of all giving. While such giving might be thought to be directed at the needy because some religious congregations provide benefits for the needy apart from funding religious services, research by sociologist Robert Wuthnow indicates that only about 10 percent of religious organizations' funds go to the provision of social services.

Giving USA only measures broad categories of recipients, however, making the data an imperfect barometer of how sensitive donors are to causes directed toward the needy. Spurred by a February 2010 Chronicle of Philanthropy article, which noted that the organization Feeding America was experiencing surging levels of giving, up over 50 percent in the final quarter of 2009 versus the same quarter the year before, we decided to examine whether food banks in America's largest cities were experiencing comparable surges in giving.

To explore this possibility, we developed a list of the 50 largest cities by population size and identified the largest food bank in each city. We then attempted to collect data on contributions and grants (from Annual Reports, financial statements such as IRS Form 990, and archived information in Charity Navigator and Guidestar) to each food bank for each year from at least 2007 to 2009. We were able to obtain complete data to 2009 for 40 of these 50 cities. The results are shown in Figure 3. Total funding to food banks in these cities rose 2.2 percent from 2007 to 2008, with approximately two-thirds of food banks showing increases over this period. Funding then surged from 2008 to 2009, as the recession deepened, increasing a staggering 31.9 percent despite deepening problems in the labor market (with increases found across all but 1 of the 40 food banks). The average food bank in our sample gained $637,176 in contributions and grants between 2007 and 2008 and gained nearly $9.4 million in contributions between 2008 and 2009. Feeding America estimates the cost per meal provided by their network of food

banks to be approximately $1.93, meaning that (if all funds had gone directly toward meal provision) the average food bank in our sample was able to provide roughly 4.87 million more meals in 2009, given increased contributions.

We can therefore conclude that two types of organizations, religious organizations and food banks, escaped the general decline in charitable giving.

Nonprofit Adaptation

Are nonprofits "feeling" the challenges that the dips suggested by the Giving USA data entail? The short answer is yes. Based on the results of an online survey of 2,279 charities and foundations (92 percent and 8 percent of the sample, respectively) conducted by the nonprofit research firm GuideStar, over two-thirds of nonprofits in the survey (and an analogous survey of nonprofits conducted roughly six months earlier) reported smaller individual gifts, and roughly the same percentage reported fewer individual gifts. Over a third reported smaller corporate and foundation gifts as well. Smaller, but still significant, numbers of nonprofits reported discontinued gifts and grants, smaller and discontinued government grants, and smaller and discontinued government contracts. Overall, then, nonprofits confirm that they are facing a severely challenging environment with reduced funding from a variety of sources.

How are nonprofits responding to this harsher funding environment? Based on the same survey(s), the data show that nonprofits are adapting in ways that, in general, reduce their capacity to meet the (typically increasing) needs of their clientele. Over half of nonprofits reported reducing program services in response to economic challenges, while nearly half reported freezing staff salaries. Approximately a third reported freezing their hiring, while nearly a third reported laying off staff. Smaller, but again still substantial, percentages of organizations reported reducing salaries, reducing employee benefits, and reducing operating hours. Thus, the array of adaptation strategies adopted by nonprofits are almost certain to have resulted in decreased capacity for services, as well as decreased employment and pay in the nonprofit sector as a whole.

What Does It All Mean?

We began by asking whether the Great Recession, which has affected so many Americans, has induced us to hunker down, tend to our own needs, and scale back on our generosity. Have Americans indeed drawn inward and become (understandably) self-interested in response to economic duress?

There is little evidence of such an effect. Although total giving has of course declined, we are still giving at extremely high levels and at nearly the same proportion of total dollars as before. Much as they always have, Americans are contributing a non-trivial proportion of their available funds, the main difference being that such "tithing" now applies to a smaller base of money and, as a result, produces a decline in the absolute amount of giving. This overall reduction in absolute giving, however, occurs at the same time as overall need is increasing—a particular and worrying countercyclical feature of the way America addresses poverty and other needs. Innovation in the nonprofit sector is likely to be stymied as nonprofits struggle merely to survive and as large donations shrink and dry up. Nonprofits, for their part, report that they are indeed feeling the pinch of the contracting economy and that they are cutting services and slashing payrolls in order to stay afloat.

In thinking about the likely patterns of giving in the future, it is important to recognize several political realities that may affect charitable giving. President Obama proposed in 2009, in 2010, and again in early 2011 that the tax incentive for charitable donations—the charitable contributions deduction—be capped at 28 percent for the highest income earners (e.g., as opposed to 35 percent for those in the 35 percent tax bracket). The proposal has two motivations: first, to generate more revenue to close the deficit; second, to level the incentive for all income earners rather than providing a systematically larger incentive to the wealthiest Americans. Were Obama's proposal adopted, the incentive to give would drop, and giving by the wealthiest Americans might also drop. As a consequence, it is possible that wealthy Americans front-loaded their giving in 2009 and 2010, taking advantage of the full charitable contributions deduction while still available. As of this writing, President Obama's proposal had not been made into law.

In late 2010, several bipartisan commissions were formed for the purpose of making recommendations about how to reduce the deficit faced by the United States. Some of these commissions recommended, among a battery of other measures, that the charitable contribution deduction be eliminated altogether or reduced more than President Obama had proposed. We of course don't know whether such recommendations will be adopted. In the meantime, absent a change in the tax incentive structure, absolute levels of charitable giving will likely remain depressed until the economy turns around. Whereas the government's automatic stabilizers (e.g., food stamps, unemployment benefits) can increase when need increases, the perverse feature of charitable giving is that it tends to decrease just as it's needed most.

Rob Reich is Associate Professor of Political Science at Stanford University and Faculty Co-Director of the Center on Philanthropy and Civil Society. Christopher Wimer is Associate Director of the Stanford Center for Poverty and Inequality. This article is adapted from the authors' chapter on the recession's impact on charitable giving in The Great Recession*, published by the Russell Sage Foundation this fall.*

Credit Where Credit Is Due

Although you may think credit cards are a routine part of everyone's daily life, in fact they're not. To be sure, credit cards are central in the lives of the well off, with 96 percent of those earning over $100,000/year using them. But at the same time, only 42 percent of those earning under $20,000/year use credit cards.

This disparity in credit card use amounts to a non-trivial transfer of wealth from the poor to the rich. Why? The merchant fees that credit networks charge merchants inflate the market prices of goods and services. But because merchants typically charge the same price regardless of payment method, the cost of using credit cards is being subsidized by the (disproportionately poor) nonusers.

In a fascinating study of this phenomenon, Scott Schuh, Oz Shy, and Joanna Stavins analyze the market of fees and payments around card networks. They find that, on average, cash-paying households transfer $151 annually to card users, while credit-card-paying households receive a subsidy of $1,482 annually from cash users. As a result of the disproportionate use of credit among the affluent, these transfers and subsidies result in an average annual wealth transfer of $443 dollars from poor households to wealthy households.

Scott Schuh, Oz Shy, and Joanna Stavins. 2010. "*Who Gains and Who Loses from Credit Card Payments? Theory and Calibrations.*" Federal Reserve Bank of Boston Public Policy Discussion Paper No. 10-3. Boston, Federal Reserve Bank of Boston.

Combat Scars?

The term "combat scar" typically refers to the physical scars suffered by those wounded in military combat. But does combat exposure have equally scarring effects on veterans' economic prospects once they come home? And do these scarring effects afflict all veterans equally? We might expect, for example, that veterans from poor backgrounds would be especially affected by combat exposure, as their families haven't the resources to cover medical costs, prolonged unemployment, and other bad consequences of combat-generated disabilities.

A recent study by Alair MacLean suggests such expectations are wrong. Using data from the Panel Study of Income Dynamics, MacLean finds that all veterans who were involved in military combat had difficulties reintegrating into the labor market following their service, a result that's troubling given the high and sustained levels of military combat over the past decade. The most surprising result, however, is that combat exposure is equally scarring to *all* veterans regardless of race or family background.

If the usual rule is that more vulnerable socioeconomic groups typically do worse, it's reasonable to ask why, in this case, there's an apparent exception. The answer may be the Veteran's Administration (VA). Although health in the United States is typically a direct function of money and status, the VA plays an equalizing role by offering access to quality health care to rich and poor veterans alike. As a result, disadvantaged veterans may be able to recover from the physical and psychological impacts of combat at levels comparable to their more advantaged peers.

Alair Maclean. 2010. "The Things They Carry: Combat, Disability, and Unemployment among U.S. Men." *American Sociological Review, 20*, 1–23.

The Rocky Road to Retirement

In light of concerns about Social Security's long-term solvency, many commentators now argue that U.S. workers should be encouraged to work until they are much older. This suggestion appeals to many not just because it would reduce Social Security expenditures but also because employee pension plans are becoming less common, retiree health benefits are becoming less generous, and the health and life expectancy of the elderly are improving.

A new study by Richard W. Johnson, Barbara A. Butrica, and Corina Mommaerts of the Urban Institute casts further light on the changing retirement histories of Americans. They examine the trajectories of three different cohorts: those born from 1913 to 1917 (the G.I. Generation), those born from 1933 to 1937 (the Silent Generation), and those born from 1943 to 1947 (the early Baby Boom Generation). The conventional wisdom about changing retirement patterns seems partly on the mark. It turns out, for example, that the Baby Boomers who work past 62 are increasingly engaging in part-time work and have frequently "unretired" after periods of retirement. By age 65, for example, 40 percent of early Baby Boomer men had not yet retired, compared with only 20 percent of men in the second "Silent Generation" cohort.

If some of the facts are consistent, then, with the new conventional wisdom on retirement, in other respects the extent of change appears to have been overstated. Notably, the most common retirement age is still only 62, a threshold that has not changed much across cohorts. Also, while workers today are more likely to forgo a permanent exit from the work force and to move to part-time work or to "unretire" later, many workers continue to buck this trend and are still retiring early.

Although the usual stylized facts about changing retirement profiles are therefore partly on the mark, they also conceal much complexity and heterogeneity among Americans. There's no simple transition to a new form. Instead, the new and old retirement forms appear to be coexisting in ways that will make policy changes difficult to fashion.

Richard W. Johnson, Barbara Butrica, and Corina Mommaerts. 2010. "*Work and Retirement Patterns for the G.I. Generation, Silent Generation, and Early Boomers: Thirty Years of Change.*" Washington, D.C.: The Urban Institute.

Advertising for Men?

In 1964, Title VII of the Civil Rights Act made it illegal to advertise for a job based on certain personal characteristics, such as gender. Although employers are precluded from directly specifying a preference for a particular gender, they may still harbor biases that can work more covertly to segregate women and men into different occupations. But how important are these much-discussed covert mechanisms? Are job advertisements worded in ways that operate, perhaps in quite subtle ways, to induce women to apply to female-dominated occupations and men to apply to male-dominated occupations?

Danielle Gaucher and Justin Friesen have completed a fascinating new study that (a) examines how jobs are advertised and (b) follows up with a series of randomized experiments exploring whether the wording of job advertisements affects male and female application decisions. They first examined jobs found in two online job banks and demonstrated that advertisements for male-dominated jobs were especially likely to employ "masculine wording" (in which words such as "leader," "competitive," or "dominant" were featured). The researchers then showed experimentally that jobs advertised with such masculine wording were perceived by applicants as more male-dominated and thus became less appealing to women (in part because they viewed the jobs as less inclusive).

It follows that, even when overt discrimination is outlawed, more subtle practices continue to generate gender inequality. These results thus suggest that, if we are ever going to achieve full gender equality, we will likely have to take on not just overt practices but also more subtle and disguised ones.

Danielle Gaucher and Justin Friesen. 2011. "Evidence That Gendered Wording in Job Advertisements Exists and Sustains Gender Inequality." *Journal of Personality and Social Psychology, 101(1),* 109–128.

Long-Term Gains for the Long-Term Unemployed

The rise of the long-term unemployed is one of the defining features of the economic downturn. In the United States, the ranks of those who have been officially unemployed for at least six months have grown to almost 6.5 million people, a group that's roughly equal in size to the population of the entire state of Massachusetts. And worse yet, since 2008, another few million have dropped out of the labor force altogether (i.e., they are no longer looking for work). How can this massive and still-growing group be helped? There are some who have argued that the long-term unemployed are a lost cause because employers prefer to hire new entrants or the short-term unemployed.

But new evidence suggests that there may be hope. In a just-released MDRC report, researchers report on a large-scale random assignment evaluation of a program called the "UK Employment Retention and Advancement Programme," or ERA. The program combined "post-employment" coaching (up to two years of help from an employment adviser) with substantial cash rewards, dubbed "retention bonuses," for maintaining consistent full-time work. If they remained employed, participants could also receive assistance with tuition costs as well as a bonus for completing job training.

The results were impressive, especially for the seemingly hardest-to-reach group of long-term unemployed participants. Relative to those in the control group, participants experienced a 12 percent increase in earnings, while also reducing their use of public benefit programs. The cost of ERA was therefore offset by reduced spending on benefits, as well as increased tax receipts.

Is an ERA-style program the answer for the United States too? It's certainly not the *only* answer. Most obviously, work-based assistance works better when there are jobs to be had, which means that efforts must now focus on increasing the number of jobs. But the ERA program suggests that, when jobs are available, it's indeed possible to crack the long-term unemployment problem.

Richard Hendra,et al. 2011. *Breaking the Low-Pay, No-Pay Cycle: Final Evidence from the UK Employment Retention and Advancement (ERA) Demonstration.* New York: MDRC.

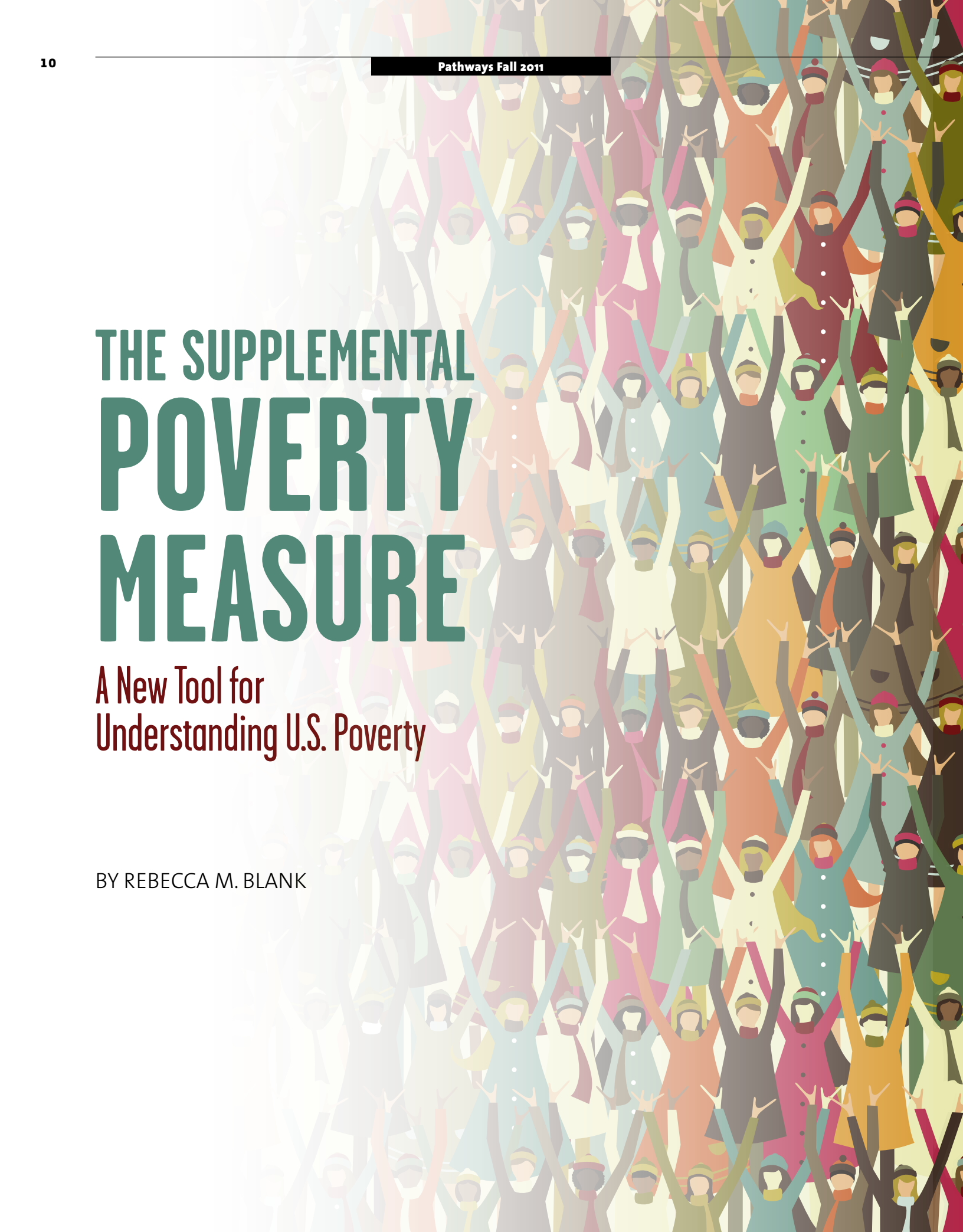
Early Onset of Inequality

It's hard to do a job well when you're sick. When a worker is chronically sick, the difficulties only multiply, and there can be substantial cumulative losses in lifetime earnings and in other labor market outcomes. But what about children who are chronically sick? Does their poor health come to haunt them many years later when they enter the labor market?

New research by Steven A. Haas, M. Maria Glymour, and Lisa F. Berkman shows that poor childhood health does indeed have a long arm that reaches into adulthood. Relative to their healthy counterparts, men who experienced poor health in childhood begin to earn less in their mid-30s, with this disparity increasing in their mid-40s and then dissipating thereafter. For women, health-related earnings disparities don't emerge until age 40, but they then strengthen as they approach 50. Although the pattern of health-related deficits differs by gender, women and men with unhealthy childhoods experienced much the same total loss in lifetime earnings (i.e., approximately $20,000).

Why do children pay a long-term price for poor health? Although the mechanisms aren't entirely clear, it appears that it's driven in part by reduced educational attainment (i.e., it's difficult to do well in school when you're sick) and by an earlier onset of chronic health problems in adulthood (i.e., unhealthy children become unhealthy adults). If we're unwilling to take on childhood poverty itself, this result suggests the fruitful fallback approach of attempting to reduce the childhood health problems that are associated with poverty.

Steven A. Haas, M. Maria Glymour, and Lisa F. Berkman. 2011. "Childhood Health and Labor Market Inequality over the Life Course." *Journal of Health and Social Behavior, 52(3),* 298–313.



THE SUPPLEMENTAL POVERTY MEASURE

A New Tool for Understanding U.S. Poverty

BY REBECCA M. BLANK

How many Americans are unable to meet their basic needs? How is that number changing over time? Who is more or less likely to be unable to meet those basic needs? And are the policy tools at our disposal working well in combating poverty in America? For answers to all of these questions, we rely on poverty statistics. For those who focus on poverty measurement issues, the need for additional statistics on poverty in the United States has long been evident. In February of 2010, the Obama Administration took a major step forward on this issue. The Administration's proposed 2011 budget called for the creation of a Supplemental Poverty Measure (hereafter SPM). Though the SPM was not funded in the 2011 budget, a research version has now been published by the Census Bureau in the fall of 2011, and in the future the Census hopes to release the SPM at the same time as the Official Poverty Measure, and with the same level of detail.

The SPM will provide a new statistical lens on who is poor and on trends in poverty over time. It is not meant to supplant the Official Poverty Measure, which remains unchanged. Nor will the SPM have any effects on policy dollars; a number of programs have eligibility formulas that use the relationship between household income and the official poverty line as one of the criteria for eligibility. For instance, states must provide Medicaid for children in families whose income is below 100 percent of the official poverty line. None of these provisions will change with the introduction of the SPM, since they all point to the Official Poverty Measure, which the Census Bureau is mandated to release under OMB Statistical Policy Directive 14.

New measures provide new information; over time, this can affect people's perspectives on poverty in America.

Why publish a new measure if it has no direct policy effects? Measurement is critical to understanding and enables informed policy decision making. Our statistics provide us with important information about the well-being of American families and of the economy. New measures provide new information; over time, this can affect people's perspectives on poverty in America. The SPM complements the Official Poverty Measure, and will provide information on some aspects of economic need that the Official Poverty Measure does not cover.

There is a long history of research on alternative ways to measure poverty. There is no single "right" approach. The EU countries have a variety of measures which they refer to as "deprivation measures," all of which are quite different from the official U.S. poverty measure and from the SPM. The most influential document on poverty measurement in the United States in the past several decades was a report by the National Academy of Sciences (NAS) in 1995; since that time, there has been an ongoing stream of research investigating the report's recommendations.[1] (Full disclosure: I was a member of the panel that wrote the 1995 report.)

In the past few years, a number of states and cities have moved forward to develop their own alternative poverty measures. New York City has released local poverty numbers for the past three years, based on the NAS recommendations, and other places have commissioned similar work. This validates the importance of and need for an addition to our Federal poverty statistics. The new SPM will provide an alternative measure that all can use at a national or regional level, and it will provide a statistical standard for those who want to estimate alternative poverty measures for smaller areas.

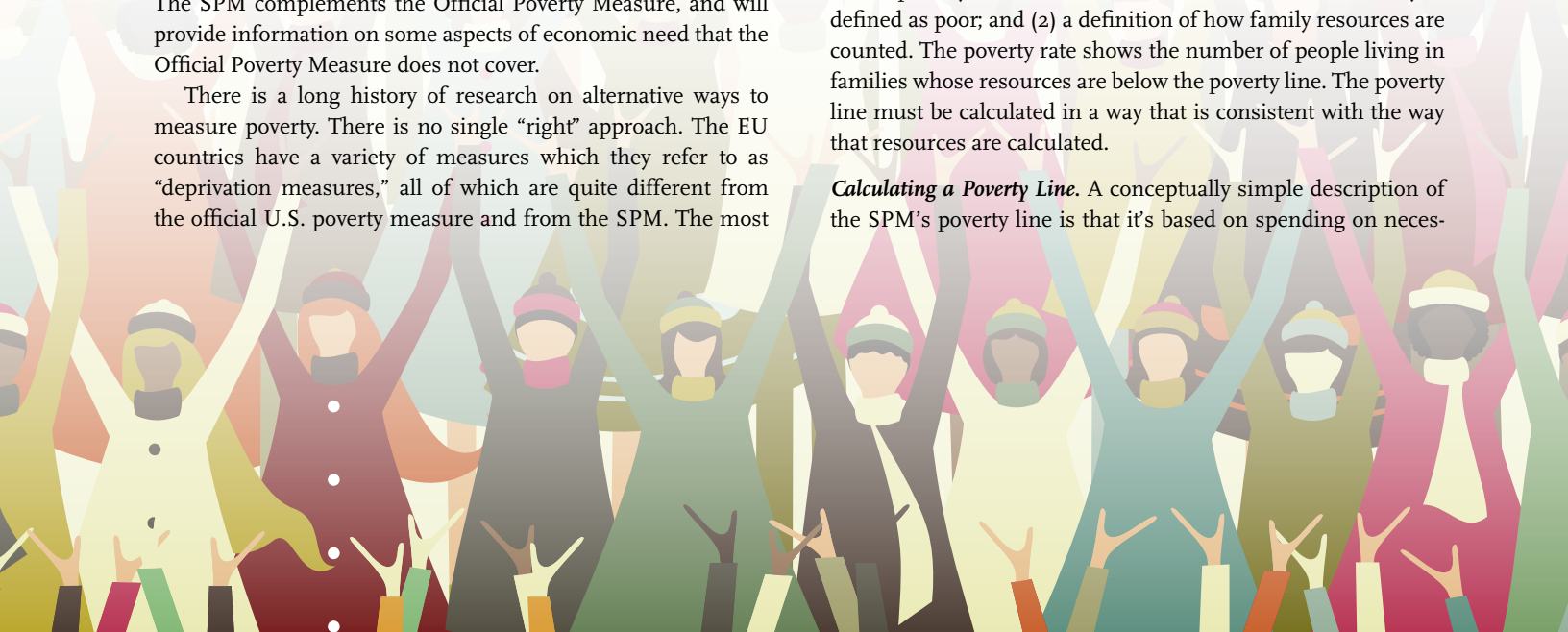
Early on, the Obama Administration made the decision to pursue development of an alternative poverty measure that would supplement the Official Poverty Measure. An interagency group met to make recommendations about the initial construction of such a measure. The group recommended the creation of the Supplemental Poverty Measure, based on the NAS recommendations, amended and informed by the past 15 years of research.[2] Once funded, the Census Bureau, working with the Bureau of Labor Statistics, will have ongoing authority to make methodological and data improvements in how the SPM is constructed over time, so that this statistic remains up-to-date.

A key concern in all of this work was to create an alternative poverty measure that was responsive to changes in government policies that affect low-income families. A primary benefit of the SPM is that it will reflect changes in tax, transfer and work-support programs, in contrast to the Official Poverty Measure, which only reflects changes in policies that affect before-tax cash income. While this will make the SPM a more complex statistic, it also makes it more useful in understanding policy effects.

How Is the SPM Calculated?

A poverty measure typically has two parts: (1) a poverty threshold or poverty line that sets the level below which a family is defined as poor; and (2) a definition of how family resources are counted. The poverty rate shows the number of people living in families whose resources are below the poverty line. The poverty line must be calculated in a way that is consistent with the way that resources are calculated.

Calculating a Poverty Line. A conceptually simple description of the SPM's poverty line is that it's based on spending on neces-



sities among lower middle-income families. Necessities are defined as food, clothing, shelter, and utilities (hereafter FCSU). The threshold for the SPM is determined as the average level of spending on FCSU around the 33rd percentile of the distribution of all spending on FCSU, multiplied by 1.2 to allow for some spending on non-necessities. This bases the poverty line on spending among families who are not poor, but who are below median income (the 50th percentile). Most families spend far more on non-necessities than this calculation allows, but this conservative definition reflects a concept of poverty that assumes poor families face difficulties in affording the basic necessities of life.

These thresholds are calculated for all families with two children. An equivalence scale is used to determine what the thresholds should be for families with more or fewer household members. (An equivalence scale indicates the income levels at which families of different sizes have equivalent expenditure needs.) Because of economies of scale in living expenses, small families with one or two people typically need more per-person income than do larger families to achieve the same level of economic well-being.

These thresholds are also adjusted for differences in housing status, since there is a small group of poor families who own a home without a mortgage. These families are typically elderly or live in the south. They face lower monthly expenses, which should be reflected in their poverty thresholds.

Finally, these thresholds are adjusted for regional price differences. Ideally, one would like to adjust for price differences across all components of FCSU by region, but such data are not available. There are good data on differences in housing prices across areas, however. Until better price data are available, the SPM will adjust the thresholds only for housing price differences. These price adjustments will be calculated for each metropolitan statistical area (MSA) and for the non-MSA areas within each state.

The thresholds in the SPM should not be compared with those from the Official Poverty Measure, since poverty rates depend upon both the threshold level and the resource definition. Because the resource definitions are so different between the SPM and the Official Poverty Measure, comparing the threshold levels will reveal little about the resulting poverty rates.

Calculating Family Resources. Family resources should measure what can be used to purchase necessities. It is important for the definition of resources to be consistent with the threshold definition. For example, if food expenditures are included in the calculation of the poverty line, then both cash and in-kind benefits that are available for spending on food should be included in the family resource count.

The SPM's definition of family resources includes all cash income that a family receives from employment or other sources. It also includes any in-kind benefits that help a family purchase food, shelter, or utilities, such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program) or rental subsidies for housing.

Subtracted from resources are necessary expenses that families must pay. This includes Federal and state taxes. It also includes work expenses, including transportation costs and child care. The intent is to calculate a "net wage," so that the earnings available to a family exclude the costs they incur to receive those earnings. Also subtracted are out-of-pocket health care expenses, which are viewed as necessary expenditures that reduce the resources available for purchasing food, clothing, shelter, and utilities.

There have been many debates over the question of how health insurance and health expenditures should affect a U.S. poverty measure. (Such a problem does not occur in countries with national health care systems, since all persons have access to equivalent care.) Some have proposed adding the dollar value of health insurance into family resources. Health insurance plans are widely variable in the United States, however, and it is difficult to get the comparable information on insurance coverage that would lead to reliable estimates from available data. The SPM instead proposes to subtract out-of-pocket medical expenses before calculating the resources available for other necessities. Persons with better or lower-cost health insurance coverage should have lower out-of-pocket expenses. Of course, some individuals without health insurance simply choose to avoid all medical care. In short, there is no fully satisfactory way to deal effectively with health care needs in an economic poverty measure. Anyone interested in the intersection of health and poverty should be concerned about the availability of good measures of health insurance coverage and of the adequacy of health care received by families.

Updating the SPM over Time. A new SPM will be calculated each year. Family resources will be based on the latest data available on families, which will change as work opportunities change and as government policies on taxes and benefits change. The threshold will also be updated over time as new data on expenditures are available.

Some have criticized the fact that the poverty threshold will move over time as expenditures on FCSU change among lower middle-income families, claiming that this creates a "moving

target" for poverty. As incomes rise, expenditures will rise, making it hard to make progress against poverty.

Realize that changes in expenditures on FCSU can occur for two reasons. Expenditures may rise because the prices of housing, utilities or food are rising. Clearly, in this situation, a rising threshold is appropriate. But expenditures on necessities can also rise as overall incomes rise. Over the long term, spending on necessities tends to rise more slowly than income. The SPM threshold is based on expenditures among families at the 33rd percentile of spending on necessities. This is well below the median, so increases in spending or income that occur only among median- or upper-income families will not affect the poverty threshold. Furthermore, the SPM thresholds are calculated on the past five years of data, so year-to-year movements in expenditures will not swing the poverty thresholds.

Over time, however, changes in American lifestyles that translate into changes in spending patterns on food and shelter will, appropriately, affect the poverty thresholds under the SPM. This recognizes the fact that poverty and deprivation are related to overall social needs. A poverty line based on spending 100 years ago, when most rural Americans still lacked electricity or indoor plumbing, would be archaic. Hence, the SPM adjusts its thresholds gradually over time, in response to changes in what Americans consider basic necessities.

Moving Forward

The SPM is not yet fully approved. Congress was asked to appropriate $5 million to the Census Bureau and $2.5 million to the Bureau of Labor Statistics in the FY2011 and FY2012 budgets, which is the cost of collecting the necessary data, and producing and reporting the SPM on an annual basis. These budget requests must be approved if the SPM is to become a regularly reported statistic in the years ahead, and to date these requests have not been approved by Congress.

The poverty rates from a research version of the SPM were released in the fall of 2011. Although there have been many past estimates of alternative poverty numbers based on the NAS recommendations, these previous estimates differ from the SPM. First, there are differences between the SPM recommendations and the NAS recommendations, so most existing estimates are not consistent with the proposed SPM. Second, the Census Bureau has put several new questions on its Current Population Survey (CPS, the basis for both the Official Poverty Measure and the SPM calculations) to facilitate the calculation of the SPM, including questions on health care and child care expenditures. Initial research suggests that these questions do quite well in capturing people's relevant expenditures on health and child care. This means that estimates of the SPM will no longer need to use imputed data from other surveys that are matched to the CPS, an approach that typically produces less-reliable estimates.

The Official Poverty Measure has been calculated for almost 50 years. It shows how cash income is changing among lower-income families. This is a good indication of the availability of work and earnings for these families. It is also a statistic that is easily calculated. For the purposes of program eligibility, it is relatively easy to ask about (and to monitor the accuracy of) reported earnings. This makes the Official Poverty Measure attractive to use in program eligibility calculations.

In contrast, the SPM is a much more complexly calculated statistic. It would be extremely difficult to measure all of its components to determine program eligibility. Rather, it is designed as an aggregate statistic that will tell us something about changes over time in economic need among specific population groups and regions. In comparison to the Official Poverty Measure, the SPM should provide better information on the impact of changes in government policy on the well-being of low-income families, including changes in tax policy, in-kind benefits for food and housing, child care subsidies, and health insurance.

The most valuable attribute of any statistic is what it tells you about changes over time in the phenomenon it is intended to describe. We care less about the actual level of most things than about their rate of change. There are multiple ways to define industrial production, just as there are multiple ways to define poverty. As such, we should focus less on the actual level of production or poverty (which depends upon the definition selected) and instead focus on whether production is going up or poverty is going down. Many of the most important social and policy questions related to poverty are about whether or not well-being is improving or worsening, and which groups are showing the biggest changes.

The way we measure a phenomenon affects the way we think about it. The SPM will provide an alternative way to look at economic need among America's lowest-income families. Although the official poverty statistics provide useful information, they are incomplete when it comes to reporting on the effect of government policy on the poor, and the SPM will help fill that gap. Multiple ways of looking at a problem can provide new insights and a better understanding of the nature of poverty in America. This is the hope with which the Obama Administration has proposed the Supplemental Poverty Measure as a new statistic.

Rebecca M. Blank is the Under Secretary for Economic Affairs for the Department of Commerce.

Endnotes

1. Connie Citro and Robert Michael. 1995. *Measuring Poverty: A New Approach.* Washington, D.C.: National Academy Press.
2. The recommendations of that group can be found at http://www.census.gov/hhes/www/poverty/SPM_TWGObservations.pdf

Understanding Local Poverty

Lessons from New York City's Center for Economic Opportunity

BY MARK LEVITAN, CHRISTINE D'ONOFRIO, JOHN KRAMPNER, DANIEL SCHEER, AND TODD SEIDEL

The inadequacies of the official U.S. poverty measure have been obvious to American social scientists for decades. In 2006, they became vividly clear to New York City policymakers. Mayor Michael Bloomberg had convened a Commission for Economic Opportunity and asked its members to develop new ideas for addressing poverty in New York. The Commissioners quickly discovered how little the current poverty measure could tell them about the degree of economic deprivation in the City, the effect of existing programs intended to alleviate it, or the potential impact of the initiatives they were considering. Commission members wanted to know, for example, how proposals such as increasing participation in the Food Stamp program or creating a New York City Child Care Tax Credit would affect the local poverty rate. What they learned instead was that efforts like these would have no discernable impact because in-kind benefits and tax credits are not accounted for in the official measure.

The Commissioners decided to address the issue. In their report to the mayor, they urged that, in addition to initiating new antipoverty programs, New York City should develop a better method to count the poor. Mayor Bloomberg embraced the idea, and poverty measurement has become part of the mission of the organization created to implement the Commission's recommendations: the New York City Center for Economic Opportunity (CEO).

CEO issued its first working paper on poverty in New York City in 2008. Its third and most recent report was released in March 2011. In the spring of 2010 the Obama administration announced plans for a Supplemental Poverty Measure (SPM) to be issued in the fall of 2011 that will remedy many of the problems inherent in the official, federal measure of poverty. But while the SPM will provide a much more informative gauge of how economic trends, demographic change, and public policy are affecting families at the bottom of the income ladder at the national level, the U.S. Census Bureau currently has no plan for estimating the SPM for local areas. As the work in New York City suggests, the federal measure should be complemented by local poverty measures, which can inform policy making at the city or state level in ways that a nationwide social indicator cannot.

Creating a New Poverty Measure for NYC

The reasons for the widespread dissatisfaction with the current, official measure of poverty are easy to understand. It is woefully out of date. The only economic resource it recognizes is pre-tax cash. Although tax credits and in-kind benefits have been a growing share of government antipoverty expenditures for decades, these supports to low-income families remain uncounted by the official poverty measure.

The official poverty threshold has also failed to keep up with a changing society and has become disconnected from any underlying rationale. The poverty line, which was based on the cost of food, no longer reflects family expenditures for necessities; housing has replaced food as the largest item in a typical family's budget. The threshold has also lost touch with the American standard of living. In 1964, the poverty line for a family of four equaled 50 percent of median income for a family of that size. The poverty line now comes to less than 30 percent of the median. Finally, the official poverty line is uniform across the country. The official threshold that defines who is poor in Manhattan is the same as that in rural Mississippi. The need to account for New York City's relatively high cost of living is obvious in light of the tight squeeze that local housing costs put on family budgets.

If the primary reason for measuring poverty is to improve public policy, these weaknesses had to be addressed. The definition of resources would need to be expanded to include the effect of tax programs like the Earned Income and Child Care Tax Credits that support low-income working families. The value of in-kind benefits such as Food Stamps and housing subsidies that can be used, like cash, to secure more adequate food and shelter should also be included. The adequacy of a family's resources would also need to be measured against a more realistic set of poverty thresholds. CEO concluded that it should base its measure on recommendations that had been developed by the National Academy of Sciences' (NAS) Panel on Poverty and Family Assistance in 1995. CEO's adoption of the NAS method is summarized in Figure 1.

Drawing the New York City Poverty Line

The NAS-style poverty threshold is based on family needs for clothing, shelter, and utilities, as well as food. The dollar value of the poverty line is established by taking a point in the distribution of two-adult, two-child family expenditures for these items. A factor equal to 1.2 is then applied to account for miscellaneous needs such as personal care, household upkeep, and non-work-related transportation. For 2009 (the most recent data at time of writing), this methodology produces a U.S.-wide poverty threshold for a family composed of two adults and two children of $24,522.[1]

Then CEO adjusts this threshold to reflect inter-area differences in living costs. We compare the New York City metropolitan area Fair Market Rent for a two-bedroom apartment to

FIGURE 1 CEO's Adoption of the National Academy of Sciences' Poverty Measure

Thresholds	Resources
Roughly 80 percent of the median of the distribution of two-adult, two-child family expenditures for: • Food • Clothing • Shelter • Utilities Plus a "little more" for miscellaneous needs. Then adjusted for inter-area differences in shelter and utility costs.	The annual flow of resources available to a family to obtain the items in threshold including: • Pre-tax cash income • Net taxation • Nutritional assistance programs • An adjustment for housing status Minus work-related expenses and out-of-pocket spending for medical care.

FIGURE 2 Poverty Thresholds, Two-Adult, Two-Child Families, 2009

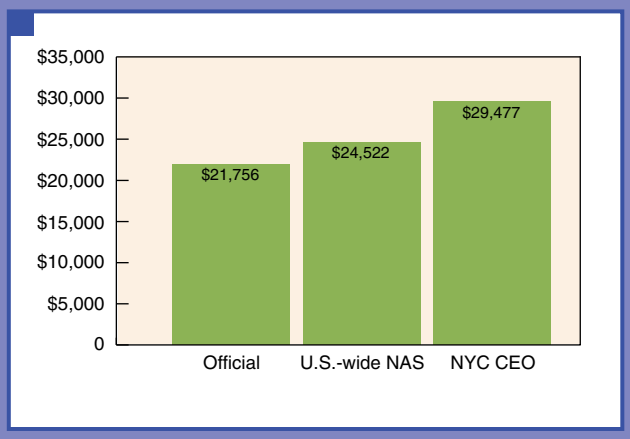
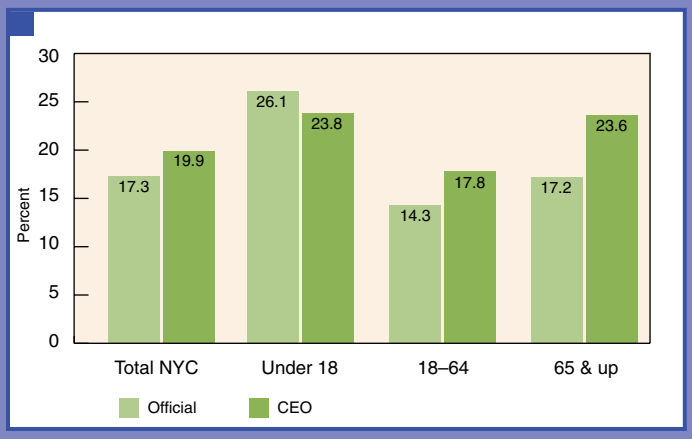


FIGURE 3 Comparison of NYC Poverty Rates, by Age Group, 2009



the national average for a similar unit. In 2009, New York City rents for such apartments were 1.46 times the national average. This factor is applied to the U.S.-wide shelter and utilities share of the threshold. When added to the non-shelter and utilities portion of the threshold (which remains unchanged), the total threshold for the reference family of two adults and two children comes to $29,477. After a threshold for the reference family has been set, thresholds are created for families of other sizes and compositions.[2] We refer to this New York City–specific threshold as the CEO threshold.

The official threshold that defines who is poor in Manhattan is the same as that in rural Mississippi. The need to account for New York City's relatively high cost of living is obvious in light of the tight squeeze that local housing costs put on family budgets.

Figure 2 compares the U.S.-wide NAS threshold and the New York City CEO threshold with the official poverty threshold. Compared to the official poverty line, the U.S.-wide NAS and CEO thresholds are 12.7 percent and 35.5 percent higher, respectively. Most of the disparity between the CEO threshold and the official poverty line is generated by the geographic adjustment. If employing a more realistic poverty threshold was the only improvement that CEO had made, the resulting poverty rate could only have exceeded the proportion of New Yorkers counted as poor by the official measure.

Measuring Family Resources

The appropriate poverty lines must be compared against a family's resources to determine if its members are poor. CEO employs the Census Bureau's American Community Survey (ACS) both to represent the City's population and as the principal source of information for calculating family resources. The ACS is now the largest of the Census Bureau's annual demographic surveys, and its sample is sufficiently large to analyze poverty across the city's demographic groups and neighborhoods. The ACS also contains much information relevant to poverty status, such as family composition, school enrollment, educational attainment, race, citizenship, and employment, as well as income from a variety of sources, such as earnings, social security, and public assistance.

Although the ACS provides data on pre-tax cash income, other elements of a family's resources that are vital to a NAS-type poverty measure are not collected in the survey. As noted in Figure 1, this includes taxes, the value of nutritional assistance, an adjustment for housing status, commuting costs, child care expenses, and out-of-pocket spending for medical care. These are estimated for each family through a variety of approaches utilizing program rules, administrative data, and imputation techniques. (A description of these techniques is beyond the scope of this article. They are detailed in CEO's reports, available at http://www.nyc.gov/ceo).

We refer to this more inclusive definition of family resources

FIGURE 4 Comparison of Poverty Rates Using CEO Poverty Thresholds with Pre-tax Cash and Total CEO Income

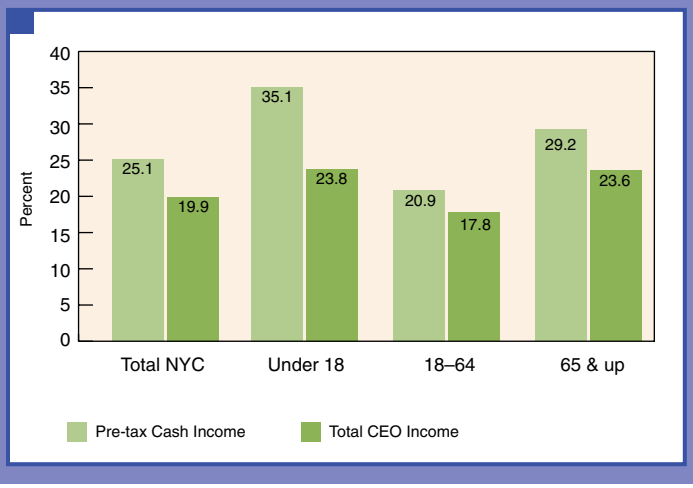
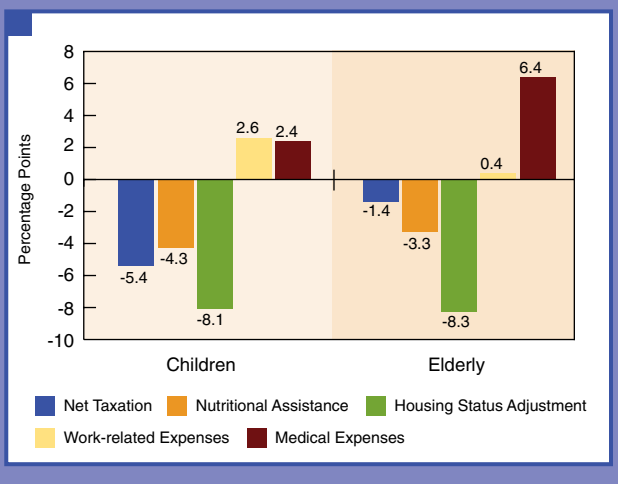


FIGURE 5 Resource Effects on Poverty Rates, by Age Group



as CEO income. Although this income measure consists of reductions as well as additions, CEO income is higher for families in the lower tail of the income distribution than the official resource measure of pre-tax income. In 2009, CEO income at the 20th percentile equaled $29,601. Pre-tax cash income at the 20th percentile was $24,087. This implies that if the only change we had made to the official poverty measure was to expand the definition of resources, the CEO poverty rate would be lower than the official rate.

Findings from the CEO Poverty Measure

When we applied the expanded definition of resources against the higher poverty thresholds, CEO found that 19.9 percent of the New York City population was poor in 2009. This is 2.6 percentage points higher than the corresponding official poverty rate of 17.3 percent.[3] This is an attention-getting difference, indicating that the effect of using a higher threshold outweighed the effect of using a more inclusive definition of family resources. But it is only the beginning of either a new understanding of poverty or a reassessment of the adequacy of anti-poverty programs. The value of the CEO measure for policy making is only apparent when we look beyond the headline numbers.

It is useful to ask whether the difference between the official and CEO poverty rate is uniform across the population. Figure 3 illustrates that, at least by age group, it is not. The gap between the official and CEO poverty rates for adults 18 through 64 years of age is not far from the citywide difference (3.5 percentage points compared to 2.6 percentage points). However, the CEO poverty rate for children (23.8 percent) is 2.3 percentage points less than the official poverty rate (26.1 percent). By contrast, the CEO poverty rate for New Yorkers 65 and older is 6.4 percentage points higher than the official rate, 23.6 percent compared to 17.2 percent.

The Effect of Alternative Definitions of Income on the Poverty Rate

An informative way to understand this wide variation is to examine how differences in resource measures affect each age group's poverty rate. As noted above, CEO's more inclusive resource measure raises family incomes in the lower end of the income distribution. If we had merely raised the poverty threshold, but had retained the official resource measure limited to pre-tax cash, the poverty rate for the City would have stood at 25.1 percent, 5.3 percentage points above the rate when the more inclusive CEO resource measure is used. Figure 4 compares poverty rates (based on the CEO thresholds) derived from the narrow pre-tax cash definition against rates derived from the full CEO income measure. The most dramatic difference between them is for children; the inclusion of a wider range of income supports brings their poverty rate down by 11.3 percentage points. The corresponding declines for adults 18 through 64 and 65 and older are 3.1 percentage points and 5.6 percentage points, respectively.

Which elements of the more inclusive measure account for this pattern? Figure 5 provides some answers, illustrating the impact that specific elements of the CEO income measure have on the poverty rate for children under 18 and for the elderly.[4] For example, the poverty rate for children using the full CEO income measure is 23.8 percent. If we omit the effect of the tax system on income, it would stand at 29.2 percent. The figure shows that net taxation lowers the poverty rate for children by 5.4 percentage points. The corresponding difference for the elderly is a modest 1.4 percentage points. The figure also makes clear that children benefit somewhat more from the poverty-reducing effect of nutritional assistance programs (4.3 percentage points against 3.3 percentage points). Both groups benefit nearly equally from housing programs, 8.1 percentage points for children and 8.3 for elderly adults.

The figure also clarifies why the CEO poverty rate for the

elderly is so much higher than the official rate. Out-of-pocket medical expenses increase the poverty rate for seniors by 6.4 percentage points (compared to 2.4 percentage points for children). Despite near-universal coverage by Medicare, expenditures for premiums, co-pays, deductibles, and uncovered medical services have a considerable effect on the poverty status of the elderly.

This fairly simple analysis illustrates how the CEO poverty measure can cast poverty in a new and more informative light by capturing important aspects of the policy environment. One of these is the targeting of non-cash assistance to families with children. Tax credits such as the Earned Income Tax Credit are far more generous for families with children than for childless families and individuals. Families with children benefit from the National School Lunch Program and have a higher take-up rate for the Food Stamp program than the elderly. Families with children are also benefiting from means-tested housing programs to a greater extent than are older New Yorkers. Accounting for these resources is why, despite the much higher CEO poverty threshold, the CEO poverty rate for children is below the official rate. Had CEO continued the official poverty measure's omission of these items, we would have grievously mismeasured the effect of social policy on child poverty.

By contrast, much of the support low-income seniors receive takes the form of cash, either through Social Security or the Supplemental Security Income program. These are already counted by the official poverty measure. With the exception of housing programs, the positive effect of non-cash assistance for this group is small and their health care costs are high. When measured against the higher CEO threshold, the resultant poverty rate is 6.4 percentage points higher than the official rate. Given the widespread belief that progress against senior poverty was one place where New Deal and Great Society programs had their intended effect, our finding of a 23.6 percent poverty rate is unsettling. It will be important, and with this measure, possible, to gauge how the recently enacted health care legislation will affect senior poverty.

From Measurement to Antipoverty Policy

CEO's research raises the question as to how the new measure will affect city policy. While the new measure is stimulating new thinking, change will not be dramatic or rapid. Much of what New York, or any city, does to support low-income families is to administer programs that are subject to federal and state statute or regulation. CEO's poverty measure cannot affect federal or state funding formulas, eligibility requirements for means-tested programs, or their benefit levels.

CEO's poverty measure is a social indicator; its value lies in the extent to which it tells us something new about populations in need. Where the CEO measure is beginning to influence local policy is in the area of program innovation. Mayor Bloomberg established the Center for Economic Opportunity to initiate and evaluate new programs, and the Center has responded to its measure with plans to expand the populations it targets. In 2006, the Mayor's Commission had recommended that innovation focus on families with young children, youth (persons 16 through 24 years of age), and the working poor. Our findings have prompted the Center to expand its focus to the elderly.

The Center is now working with New York City's Human Resources Administration and Department for the Aging to find opportunities to fashion new programs or build upon existing ones that can reduce senior poverty. One initiative under consideration is an employment program targeted to older New Yorkers who have most, but not all, of the 40 quarters of earnings they need to qualify for Social Security benefits and eligibility for Medicare. This appears to be a particular problem for elderly immigrants who may have contributed to their families' well-being by providing child care or earnings from informal work and now find themselves without either pensions or medical insurance.

We expect that future poverty measurement work will continue to cast poverty in a new and more informative light and that, over time, the measure will become integral to the strategic planning of the many city agencies whose work addresses the needs of low-income New Yorkers. Some of what we learn will reflect issues that face any big city in the United States, but effective policy making requires a local take on national trends. Others have recognized this and have expressed interest in developing similar local poverty measures. The New York State Office of Temporary and Disability Assistance, the Urban Institute, and the University of Wisconsin's Institute for Research on Poverty have developed state-level poverty measures. CEO welcomes these efforts and extends an offer of assistance to other jurisdictions who wish to develop their own measures.

Mark Levitan, Christine D'Onofrio, John Krampner, Daniel Scheer, and Todd Seidel conduct poverty research at the New York City Center for Economic Opportunity.

Endnotes

1. The U.S.-wide NAS thresholds can be found at http://www.census.gov/hhes/povmeas/data/nas/tables/ 2009/index.html.
2. To avoid cumbersome language we use "family" to denote the unit of analysis in our studies. The term "family" includes one-person units, if the person is an unrelated individual. Unmarried partners are treated as spouses. Adjustment of the reference family threshold for other families is made using a three-parameter scale developed by David Betson.
3. To aid comparability, the official poverty rates provided in this article are based on the poverty universe and unit of analysis used to create the CEO poverty rates.
4. These are calculated by taking the difference between the poverty rate derived from the full CEO income measure and what the poverty rate would have been had a specific item been omitted from family resources.

The Future of U.S. Poverty Measurement

BY CHRISTOPHER WIMER, BARBARA BERGMANN,
DAVID BETSON, JOHN CODER, AND DAVID B. GRUSKY

The Supplemental Poverty Measure (SPM), as described by Rebecca Blank in this issue, is a critical turning point in poverty measurement in the United States. It is an impressive achievement and the culmination of decades of hard work by Dr. Blank and many others. The purpose of our article is to suggest that this important work might be enhanced through a few further revisions to our poverty measurement system.

Although there are many ways in which poverty measurement could be improved, we argue below that the three most important revisions are (a) to update our poverty and hardship measures more frequently, (b) to build a national system for measuring poverty at the city and local levels, and (c) to assess poverty in ways that better reflect whether minimum standards of health care and child care are being met. We review each of these three suggestions in turn.

Frequent Updating

The SPM is clearly a historic improvement in our protocol for measuring poverty, but it will likely be reported with troublingly long delays. For example, the 2010 poverty statistics only became available in the fall of 2011, a lag that renders those statistics a bit of economic history rather than anything that could induce short-term adjustments in our economic or labor market policy. There are good reasons why such delays have been and will likely continue to be built into our reporting system. As noted in Rebecca Blank's article in this issue, there are formidable data requirements behind the SPM's assessment of income and expenses, and such data are not currently available on a monthly basis.

Because poverty data are reported with a long lag, they do not typically inform short-run economic policy decisions, and instead they are used mainly to assess the need for long-run reforms in poverty policy. If we should find, for example, that poverty rates continue to run extremely high over the next several years, it might be taken as a signal that our labor market institutions are underdelivering and are in need of such long-run reform.

It's important to continue to use poverty data for the purpose of deciding whether major institutional reforms of this sort are warranted. But poverty data should also inform our more routine and short-run economic decisions. If poverty data were reported frequently (e.g., monthly), it would be possible to add them to the body of evidence upon which short-run economic policy decisions are based. We could use them to assist in deciding

whether more stimulus monies should be directed toward the poor, whether tax policy should be more or less progressive, or whether monetary policy should be more or less restrictive.

We recognize that not everyone agrees that economic policy should take the poverty rate, or indeed *any* distributional considerations, heavily into account. However, even those who hold to such a view should still want more-frequent poverty measurements, as they're additionally necessary for the more limited purpose of establishing budget allocations for nutritional assistance and other ameliorative programs (e.g., Temporary Assistance for Needy Families). The latter, more-limited policy decisions are surely best made in the presence of current information about the poverty rate. We can't make good decisions about the budget for various assistance programs without knowing how many people are *currently* in poverty and may need such assistance.

If the need for regular reporting is accordingly clear-cut, that's not to imply that such a need is easily met. The long-run solution is to collect the data underlying the SPM on a more regular basis. To do so would be costly, but it's important to open up a discussion about whether those costs, formidable though they are, are anything but a fraction of the costs of making major policy decisions with limited information.

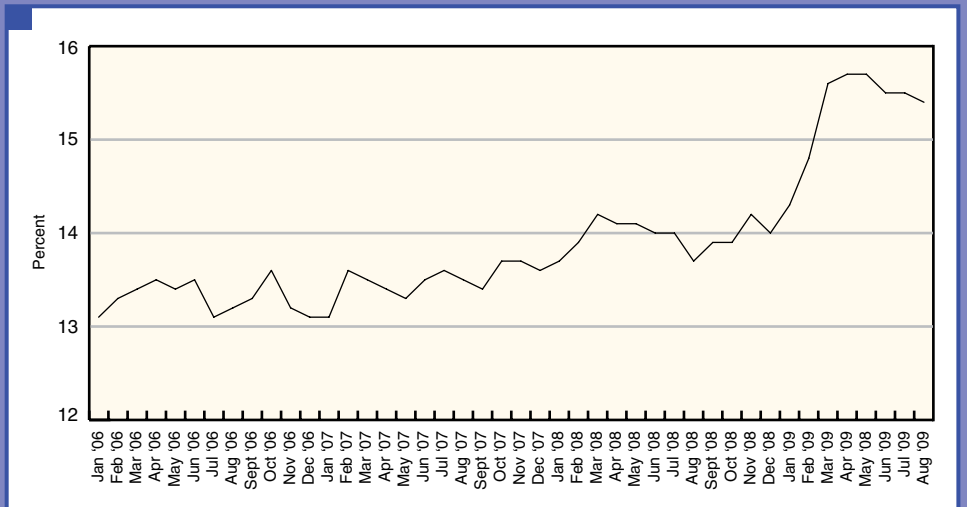
We appreciate that any major changes in data collection aren't likely in the near term. In the meantime, however, it's useful to experiment with ways of exploiting existing data for the purpose of creating a more frequently updated series. With John Coder of Sentier Research, Barbara Bergmann of American University, and David Betson of the University of Notre Dame, the Stanford Center for the Study of Poverty and Inequality has sought to build such a time series by making statistical inferences about the monthly information that's missing and then using those inferences to estimate the poverty rate.

The starting point for such efforts is monthly data on family earnings from the Current Population Survey (CPS). Based on unemployment data in the CPS, we can simulate weekly unemployment benefits using (a) counts of the total unemployment insurance weeks compensated by month and (b) weekly unemployment benefit amounts payable by states. We can then add in other sources of income that might also change based on changes in employment. For instance, if a family member loses his or her job, the family might then bring in a boarder to rent a room, an income source that's not captured in the monthly CPS. We can estimate such "other income" by statistically matching each member of our monthly sample to a family in the March CPS (where all sources of other income are measured). Once that match is made, we can assign to our sample families the "other income" secured by the matched families, thus allowing us to estimate their total income. We have so far implemented this approach with the official measure of poverty but could, in principle, apply it to the SPM as well.

The results of this effort are presented in Figure 1. As shown here, the poverty series moves just as one would expect, with poverty increasing substantially after the beginning of the recession in December of 2007. If this series is accurate, monthly poverty rates were reaching nearly 16 percent as of 2009. In interpreting this result, it's important to bear in mind that the monthly series is measuring short-term deprivation, in particular the deprivation that arises when monthly earnings fall below one-twelfth of the annual poverty threshold. Although it's important to monitor such short-term deprivation, some of the families who count as poor under this monthly measure will compensate for the earnings shortfall in the balance of the year and end up with annual incomes that surpass the poverty threshold.

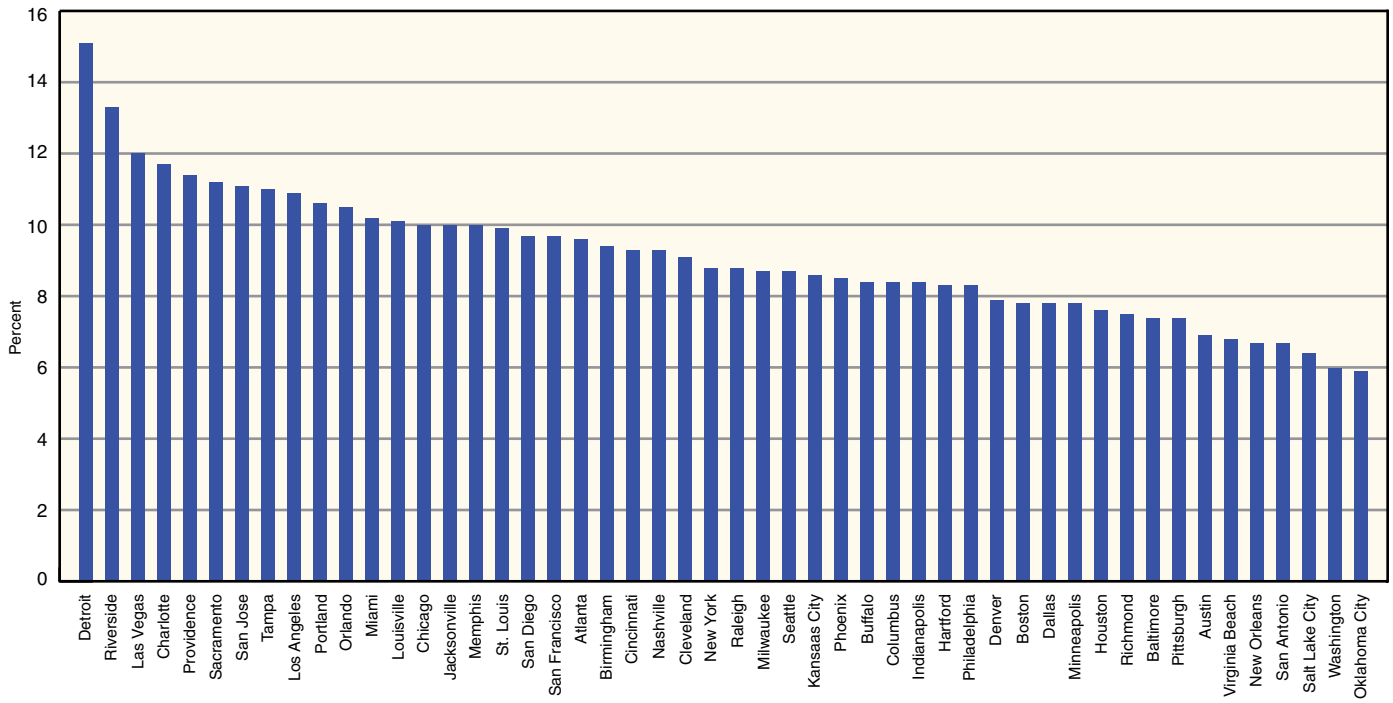
It should also be borne in mind that the results presented in Figure 1 are wholly experimental. We are dissatisfied with this effort because we've found that our estimates of "other income" deteriorate in quality as the time series extends well beyond March (the month on which estimates are based). In the future, we will seek to improve this monthly measure as well as experiment with other approaches, including (a) developing new measures that pertain to general hardship rather than official poverty and (b) developing new measures that, rather than capturing poverty per se, index the extent to which the labor market is delivering adequate wages to the working-aged population. The latter type of measure wouldn't require us to estimate "other income" and thus can be more readily developed with currently available CPS data.

FIGURE 1 **Experimental Monthly Poverty Estimates, 2006–2009**



Note: Estimates generated from the monthly Current Population Survey, the monthly Unemployment Insurance data, and data on other income sources imputed from the March CPS Annual Social and Economic Supplement. The trend line presented here is based on a three-month moving average.

FIGURE 2 Unemployment Rate by City (2009)



Note: The names of large metropolitan areas have been abbreviated by referring to the most prominent city within those areas.

Source: Algernon Austin, "Uneven Pain: Unemployment by Metropolitan Area and Race," Economic Policy Institute, http://www.epi.org/publications/entry/ib278/

Measuring Poverty at the Local Level

The current recession reveals in especially stark terms that one's life chances are very much a function of where one lives. As shown in Figure 2, the 2009 unemployment rate was 15.1 percent in Detroit but only 5.9 percent in Oklahoma City, a result that doesn't speak directly to poverty but suggests that it may likewise vary substantially by city. In recent decades, recessions have been vehicles for deindustrialization and have therefore had especially concentrated effects in cities, like Detroit, with a substantial manufacturing base.

The spatial variation in U.S. poverty is not merely an expression of such spatial variation in the industrial mix. Additionally, there's much spatial variation in our antipoverty programs, a direct result of the decentralized administration of Temporary Assistance for Needy Families (TANF) and other antipoverty initiatives. By virtue of such decentralization, there's more room allowed for local decision-making on both access rules and amounts of assistance, variation that in turn means that the population fares very differently in different states and cities, especially during recessionary periods when a state's response to duress is so consequential.

It might be imagined that a country that's embraced a highly decentralized system of poverty programming would likewise have a highly decentralized apparatus for measuring poverty. Nothing could be further from the truth. Because the CPS is based on a relatively small sample size, and because its sampling frame was not devised for city-specific analyses, it isn't well suited for city-level measurements of poverty. Although state-level measurements are available (and immensely valuable), most states are divided into rural and urban settings that are vastly dissimilar in their poverty profiles and are accordingly best distinguished in measuring trends in poverty. Given that poverty isn't measured at the local level, we are again obliged to operate in the dark, with food banks, homeless shelters, and other response organizations lacking the information needed to plan their efforts and to assess whether those efforts are meeting needs.

This pressing need for city-level measurements has so far been met in a haphazard way, with cities that happen to be blessed with both resources and enlightened leadership leading the way. The case of New York City stands out here. As Mark Levitan discusses in this issue, New York City has carefully built an SPM-style measure with the American Community Survey (ACS), an immense undertaking that makes it possible to understand who is susceptible to poverty, how various city and state programs are affecting the poverty rate, and how poverty is

evolving in response to the recession. This measure is a flexible policy tool that allows New York City to assess how the poverty rate could change in response to possible demographic developments, possible changes in the economic situation, or even new city-level initiatives.

The current recession reveals in especially stark terms that one's life chances are very much a function of where one lives.

The same system for monitoring poverty and the effects of possible shifts in policy should be in place in every major U.S. city. Given that local economies are so different from one another, and given that antipoverty policy is likewise very local in form, we have no choice but to develop a correspondingly local monitoring system. We need, in short, a national commitment to and protocol for monitoring poverty at the local level, an initiative that would (a) increase the number of cities and rural localities that track poverty with an SPM-style measure, (b) provide a standardized measurement framework that makes meaningful cross-place comparisons possible, and (c) support the development of surveys that allow for high-quality local monitoring of poverty. We discuss below each of these priorities in turn.

Increasing the Reach: The most obvious problem with our local monitoring system is that it's not a system at all. There are unfortunately just a handful of localities that have committed to measuring poverty with an SPM-style measure. The Stanford Center for the Study of Poverty and Inequality, with support from the city of San Francisco, is building a local poverty measure for San Francisco, an initiative that will borrow from the techniques pioneered by Levitan and his colleagues in New York City. This year, we are expanding this effort to include other areas of California as well as the full state. There are also similar initiatives completed or underway at the city level in Philadelphia and statewide in Connecticut, Wisconsin, Georgia, Illinois, Massachusetts, and New York. These initiatives are important and valuable, but one can't rely on local sponsors alone to complete the measurement work that must now be undertaken across the country. Although the cost of building local measures is not trivial, it pales in comparison to the benefits of providing city policy makers, foundations, food banks, homeless shelters, and other response organizations with the information needed to plan their responses. It's not necessarily the case that a massive federal initiative is required. Indeed, if a standardized protocol for local measurement could instead be devised (and indeed the Census Bureau is supporting just such an effort), the costs that localities would face in building their own measures could be reduced substantially, perhaps to the point that self-financing becomes viable.

Standardization: If local initiative of this sort is indeed insisted upon, the need for a standardized protocol looms especially large. It's not just a matter of ensuring that certain quality standards are followed in each city. Although quality control of that sort is important, the case for standardization additionally rests on the desirability of making cross-locality comparisons. In practice, most localities will have to devise two measures: one that's sensitive to local data availability and local poverty-relevant conditions (i.e., the "valid measure") and another that adheres rigorously to a standardized protocol and that therefore allows for comparison across localities (i.e., the "comparable measure"). The New York City measure, for example, builds in the idiosyncratic complexities of rent control because it's so consequential for the experience of poverty in that city. In other cities, other types of local poverty-relevant idiosyncrasies may surface, and insofar as local data are available to incorporate those complexities, one wouldn't want to sacrifice validity for the sake of comparability.

Data development: The ACS will no doubt serve as the backbone of these local initiatives to measure poverty. Indeed, the Census Bureau recently commissioned the Institute for Research on Poverty (at the University of Wisconsin) to explore how the ACS can be used to produce SPM-style local measures, an important initiative that we applaud. However, because the ACS doesn't include all the items needed to fully mimic an SPM-style measure, various imputations and assumptions become necessary in the course of building local measures. The long-run goal in this regard should be to modify the ACS to allow it to better support local poverty measurement. Although it's obviously difficult to secure changes to the ACS, the stakes are high enough in this case to begin a discussion about whether such changes are feasible or, absent that, whether other approaches to local poverty estimation might be developed.

Measuring Poverty with Nonstandard Expenses

The Supplemental Poverty Measure is based on a poverty threshold that includes the expenses every American incurs (i.e., food, clothing, shelter, utilities). The presumption, in other words, is that everyone must eat, wear clothing, use some form of shelter, and keep the lights on and the water running. Because these are presumed to be universal expenses, the SPM builds them into the poverty threshold.

But what about expenses that are not universal? The SPM reacts to such expenses in one of two ways. The first way is to allow for multiple thresholds. In recognizing, for example, that families differ in their number of children, the SPM accordingly allows for different poverty thresholds for families of different

sizes. We could likewise distinguish between families that are in good health and those that have serious health care needs (however difficult that distinction may be to define) by creating yet more "family types" and further multiplying the number of thresholds. However, insofar as we wish to maintain the principle of a *single* poverty threshold, there's an obvious rationale for keeping the number of such family types—and hence thresholds—to a minimum.

The second way that the SPM reacts to "nonstandard expenses" (e.g., substantial health care expenses) is to subtract them from the income used to meet universal needs. It simply treats a family with $1,000 in nonstandard expenses as having $1,000 less in available resources to meet the needs captured by the threshold. This is the approach taken, for example, for medical and child care expenses. There's no denying that both types of expenses are necessary in some situations; we need to get well when we are sick, and we need to care for our children (if we have them) while we work. Although these expenses are necessary, they are not universal, given that (a) some people are very healthy and incur no medical expenses and (b) some people either don't have children or rely on child care arrangements that don't require any or much money (e.g., care by spouses or relatives). The SPM's approach to such "nonstandard expenses" is therefore to subtract the relevant out-of-pocket expenses from income. This approach assumes that all families, even those who just leave their children home alone, are receiving adequate child care and that the only necessary adjustments thus involve correcting for out-of-pocket expenses. Why is this assumption made? It's not because we believe that all families are receiving the same quality of child or health care but because it would be very difficult to determine the quality of care received or whether it falls below some threshold of adequacy.

The SPM approach thus defaults to simply subtracting out-of-pocket expenses from income. This approach, while understandable enough in light of data limitations, doesn't recognize that some low-income families—precisely because they are poor—have no choice but to accept inferior medical or child care outcomes. The poor parent who relies on relatives, neighbors, or television for child care may in some circumstances know that the child care is poor but, for lack of money, can't incur the out-of-pocket costs that adequate care would entail. The SPM approach is unproblematic when such free care is adequate (and indeed often it is excellent). But in some cases it's surely chosen not because it's adequate but because the adequate alternatives are too costly. The inverse problem may also occur. That is, some families may "make themselves poor" by spending *too much* on child care, leaving them without the necessary resources to bring them over the SPM poverty line. Under current methods, this problem is limited by capping expenses at the income level of the lowest-earning adult in the household, but nevertheless the approach is open to criticism from both sides.

The analogous observation applies to medical care. We can be certain that some families without any out-of-pocket medical costs are simply foregoing much-needed medical care because they do not have the money to pay for it (and others may overspend on medical care and therefore make themselves poor as a result). However, insofar as health care reform renders adequate health care truly universal, the concerns on that front will eventually disappear and child care will become the most troubling nonstandard expense.

And troubling it is. Arguably, the most dramatic development of the last half-century has been the flow of women into the formal labor force, with the resulting partial marketization of child care (in the case of the United States). It's vexing, then, that the first major reform of poverty measurement in the last half century doesn't satisfactorily represent the implications of that development. That said, we recognize that compromises inevitably had to be made in developing the SPM; indeed, the SPM would likely never have happened absent a willingness to make such compromises. We are simply suggesting that, as the SPM is further developed and modified, we would do well to continue experimenting with alternative ways of bringing in nonstandard expenses, perhaps especially those pertaining to child care.[1]

Toward a Modernized Poverty Measurement System

The SPM is a major milestone. The improvements it makes are many, and the reasons for being dissatisfied few. We've nonetheless exploited the occasion to take stock and ask how we might capitalize on the momentum for change by developing a more comprehensive system for monitoring poverty. If there's any silver lining to the recession and its aftermath—and, clearly, there are precious few—it's that it pushes poverty closer to the center of the political stage and provides a rare opportunity to modernize our poverty measurement system.

Christopher Wimer is the Associate Director of the Stanford Center for the Study of Poverty and Inequality. Barbara Bergmann is Professor Emerita in the Department of Economics at American University. David Betson is Associate Professor of Public Policy and Economics at the University of Notre Dame. John Coder is a principal at Sentier Research. David B. Grusky is the Director of the Stanford Center for the Study of Poverty and Inequality.

Endnotes

1. The alternative tack that might reasonably be taken is to adhere to the stricter view of poverty adopted by the NAS panel. That is, if the poverty concept is understood as intrinsically pertaining to needs for food, clothing, shelter, and utilities (and a small residual), then all other needs (e.g., health care, child care) are, by definition, outside the poverty concept. This approach entails maintaining a "pristine" poverty concept and then building additional indices for health care, child care, and any other needs falling outside that pristine concept. There is an ongoing NAS workshop panel examining how a medical care risk index could be developed in conjunction with the SPM to better capture medical needs.

SPOTLIGHT ON...

Homeless Prenatal Program

BY BROOKE CONROY BASS

We all know how stylized and predictable the debates about social spending can become. The typical opponent of antipoverty initiatives will complain about the dauntingly high costs, while the typical supporter will cite the even higher cost of doing nothing and thus represent the favored initiative as an investment. The argument tends to get rather abstract rather quickly, and it might be useful, therefore, to consider how it plays out on the ground, using the well-known and highly respected Homeless Prenatal Program (HPP) as an illustrative example.

It's instructive to begin by laying out the cost of doing nothing. In the case of San Francisco, that price tag is approximately $61,000 per year, as that's what it costs to provide emergency services to someone who is chronically homeless (see *The San Francisco Plan to Abolish Chronic Homelessness*). This $61,000 price tag is just a lower bound estimate because it refers only to the price of emergency services and ignores the cost of lost wages, lost human capital, human suffering, and much more.

What does it cost if we instead decide to try to prevent a year of chronic homelessness for one person? It's true that some programs are very expensive, but there are also low-cost and effective alternatives, such as HPP. On average, HPP spends

ABOVE: **HPP client and child.**

CLOCKWISE FROM UPPER LEFT: **HPP tax volunteer with client; HPP employee teaching client how to sew.; HPP employee performing prenatal care and educating client on prenatal care.**

approximately $5,000 per client per year for rental assistance and other support services, such as housing search, start-up rental deposits, counseling, parenting classes, and much more.

Does it work? Yes. In the past year, HPP has served over 3,500 families, which is more than 60 percent of San Francisco's highly impoverished families. Of the homeless families that they transitioned into permanent and safe housing, 96 percent remained housed after nine months. The cost-benefit case for HPP is compelling and implies that caring about the homeless isn't the only reason to do the right thing. The case can readily be made on the basis of saving money alone.

This is not of course to suggest that all homeless programs are as cost-effective. I recently had the opportunity to speak with Martha Ryan, the Founder and Executive Director of HPP, to discuss what sets it apart from other services in the Bay Area and the U.S. As might be expected, the HPP program is a holistic one that addresses not just homelessness but the myriad of other problems that tend to come with homelessness, an approach that it shares with many (but hardly all) homeless-assistance programs. It's notable, however, that HPP didn't become holistic just because it's now so fashionable. Rather, it discovered early in its 21-year history that its original mission, that of training homeless pregnant women in prenatal care, could be usefully coupled with a related package of services that recognized that homeless pregnant women often need stable housing, protection from domestic abuse, treatment for substance abuse, and parenting skills. What emerged was a holistic organization that serves poor families that are at risk of homelessness and that helps them become self-sufficient.

The truly distinctive feature of HPP is the *way* in which it delivers these holistic services. Unlike traditional shelters, it does not house individuals on-site, and instead the focus is on creating a personalized plan for regaining self-sufficiency. These plans work well for two reasons. First, they're often developed with the assistance of former clients; indeed, half of HPP's employees are former clients. This gives them instant credibility and instant understanding. Second, HPP's culture is one of high camaraderie, an infectiously supportive environment that is seemingly embraced by all, even those who have every reason to be pessimistic. As Martha Ryan walked me through the halls of HPP's warehouse in downtown San Francisco, she greeted everyone with a friendly, "Hi, how are ya?," and we paused as she asked for updates on their education, family, and health. She gave a high five to a woman who had recently received an "A" in a college class and introduced me, like a proud parent, to another staff member who had just been accepted to a master's program in public policy.

The obvious question is whether there's a formula behind such cultures that would lend itself to replication. The conventional wisdom is that an HPP-style organization requires a charismatic leader, and we can therefore have only as many such organizations as there are such leaders. The importance of a charismatic leader can't of course be emphasized enough. At the same time, we ought not forget the second distinctive prong of HPP, which is its frequent hiring of former clients. This is a replicable formula, and it's arguable that HPP's success rests, at least in part, on precisely this policy. As Martha Ryan puts it, "People aren't here just to have a job. They are here because they're committed to social justice, or because they've been homeless themselves, have seen how it can be overcome, and are committed to giving back. This is the backbone to HPP's very special culture."

Brooke Conroy Bass is a Ph.D. student in sociology at Stanford University.

Lift Up the Poor

How Rich Countries

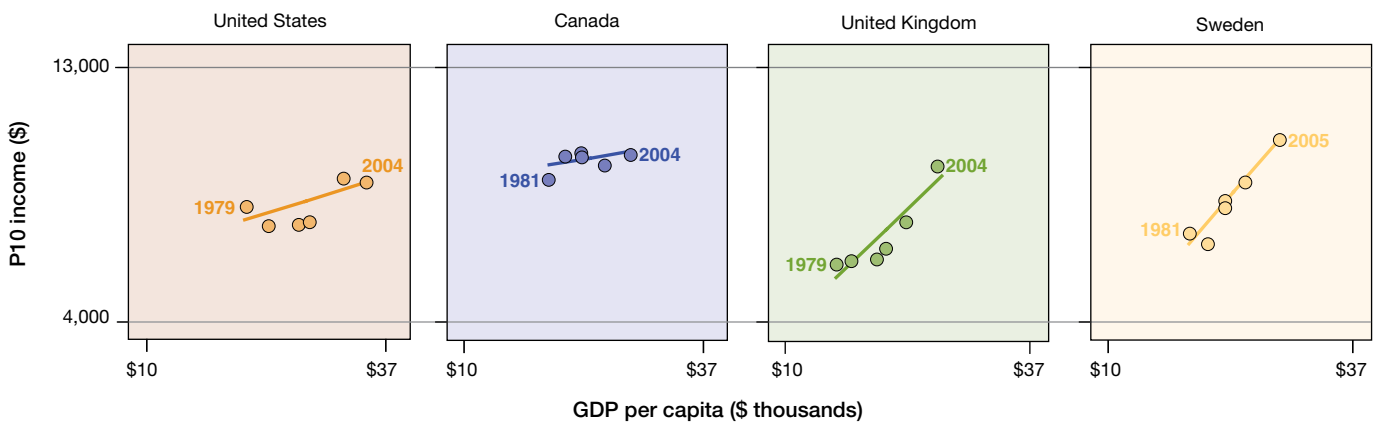
BY LANE KENWORTHY

As a nation grows richer, the living standards of its least well-off ought to rise. But one of the most striking features of late-industrial development is that the fruits of growth have—in some countries—been very unequally shared. Which countries have succeeded in lifting up the poor? And which have failed?

Figure 1 shows what happened from the late 1970s to the mid-2000s in four countries: the United States, Canada, the United Kingdom, and Sweden. The charts show the degree to which household income at the tenth percentile of the income distribution (vertical axis) improves as GDP per capita (horizontal axis) increases. Each of these countries experienced economic growth, moving to the right along the horizontal axis. But they varied markedly in the degree to which that growth reached the poor. In Canada, there was little or no rise in household income at the tenth percentile. In the United States, there was very little, and it occurred only in the late 1990s. The United Kingdom did much better, though also mainly during a particular period, the mid-1990s to the mid-2000s. In Sweden, economic growth yielded a consistent improvement in the incomes of those at the bottom.

In most advanced democracies—Austria, Belgium, Denmark, Finland, France, Ireland, the Netherlands, Norway, and Spain—the pattern during these years

FIGURE 1 Where have low-end household incomes risen with economic growth?



Note: Low-end household income by GDP per capita, 1979–2005. P10 income: Posttransfer-posttax household income, adjusted for household size, at the tenth percentile of the distribution. Household income and per capita GDP are in year-2000 U.S. dollars. The axis values represent the full range for the 17 nations mentioned in the text. Source: Author's calculations using Luxembourg Income Study and OECD data.

resembles Sweden's. But in others—Australia, Germany, Italy, and Switzerland—it looks more like the American and Canadian one. This raises the question: Why do the poor only sometimes reap some of the fruits of a growing economy?

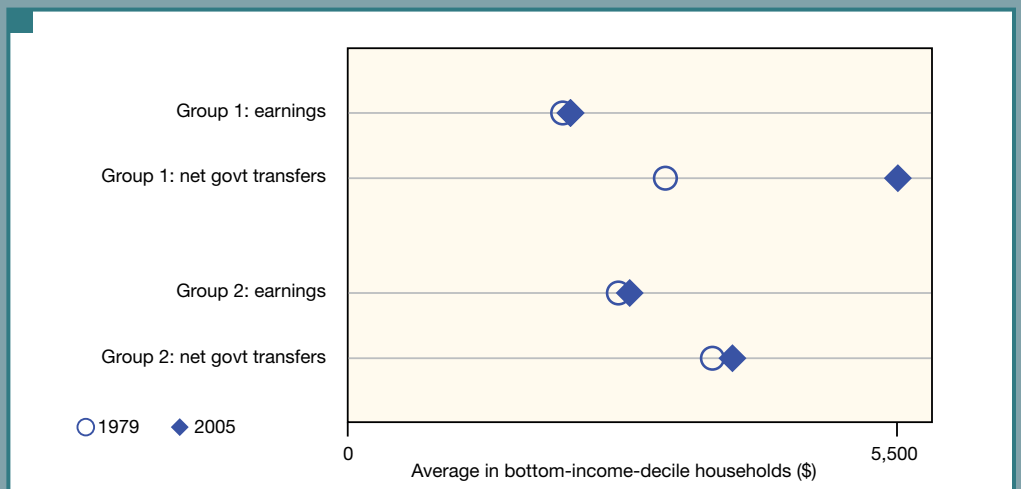
Government Policy Matters

We often think of economic growth as a "trickle-down" process in which rising earnings are secured via more work hours and higher wages. But in almost all of these countries (Ireland and the Netherlands are exceptions) the earnings of low-end households increased little, if at all, over time. Instead, as Figure 2 suggests, increases in net government transfers—transfers received minus taxes paid—tended to drive increases in incomes when they occurred.

Governments in some of these nations did more to pass the fruits of economic growth on to the poor. For the most part, this didn't entail increasing the share of GDP allocated to public transfers. Such increases were common in the 1960s and 1970s. But in most of these affluent nations—even the most generous ones, such as Denmark and Sweden—increases in the share of GDP allocated to public transfers largely stopped after the 1970s. In recent decades, the distinction has been between countries that kept transfers rising in line with GDP versus those that did not. Sometimes doing so requires no explicit policy change, as benefit levels tend to rise automatically as the economy grows. This happens when, for instance, pensions, unemployment compensation, and related benefits are indexed to average wages. Increases in other transfers, such as social assistance, typically require periodic policy updates. That's true also of tax reductions for low-income households.

In the United States, only one of the main government transfer programs, Social Security, is structured in such a way that benefit levels automatically increase when the economy grows. Social Security retirement benefits are indexed to average wages, so they have tended to rise more or less in concert with GDP. Unemployment benefit levels are determined by state governments. In many instances, the benefit level is

FIGURE 2 Government transfers and taxes have been the chief mechanism through which economic growth reaches the poor.



Note: Average income in the bottom decile of the posttransfer-posttax income distribution. Household income, adjusted for household size, in year-2000 U.S. dollars. Group 1: Denmark, Finland, Ireland, Netherlands, Norway, Sweden, United Kingdom. Group 2: Australia, Canada, Germany, Switzerland, United States. This calculation can't be done for Austria, Belgium, France, Italy, and Spain. Actual years vary depending on the country. Source: Author's calculations using Luxembourg Income Study data.

a "replacement rate," which means the payment is a certain fraction of the unemployed person's former wage or salary. Because real wages in the bottom half of the distribution have not increased in the past several decades, unemployment benefits for Americans in low-wage jobs have failed to keep up with growth in the economy. Other programs, such as the Earned Income Tax Credit (EITC), the Supplemental Nutritional Assistance Program (SNAP, formerly called Food Stamps), Social Security Disability Insurance (SSDI), and Supplemental Security Income (SSI), are indexed to prices. This means they keep up with inflation, but not with economic growth. Temporary Assistance for Needy Families (TANF, formerly AFDC) payments are determined by state policymakers; there is no automatic increase, not even for prices. AFDC-TANF benefit levels have fallen steadily in inflation-adjusted terms over the past several decades.

If most of the poorest Americans were elderly Social Security recipients, the U.S. pattern in Figure 1 probably would look more like Sweden's. But in the United States, as in many other countries, most of those in the bottom 10 percent are not retirees. Many elderly Americans have no income from earnings, but Social Security benefits, payments from employer-based retirement programs (company pension or 401k), and other income (from the sale of a house, for instance) combine to keep them above the bottom decile. The fact that most of our other government transfers have only kept up with inflation rather than with the economy, coupled with the decline in AFDC-TANF benefits, accounts for the slow income growth at the bottom in the United States.

Should we bemoan the fact that employment and earnings aren't the key trickle-down mechanism? No. At higher points in the income distribution, they do play more of a role. But for the bottom 10 percent there are limits to what employment can accomplish. Some people have psychological, cognitive, or physical conditions that limit their earnings capability. Others are constrained by family circumstances. At any given point in time, some will be out of work due to structural or cyclical unemployment. And in all rich countries, a large and growing number of households are headed by retirees. We surely can do better at helping able adults get into (or back into) employment, but we shouldn't pretend that paid work is a realistic route to guaranteeing rising incomes for everyone.

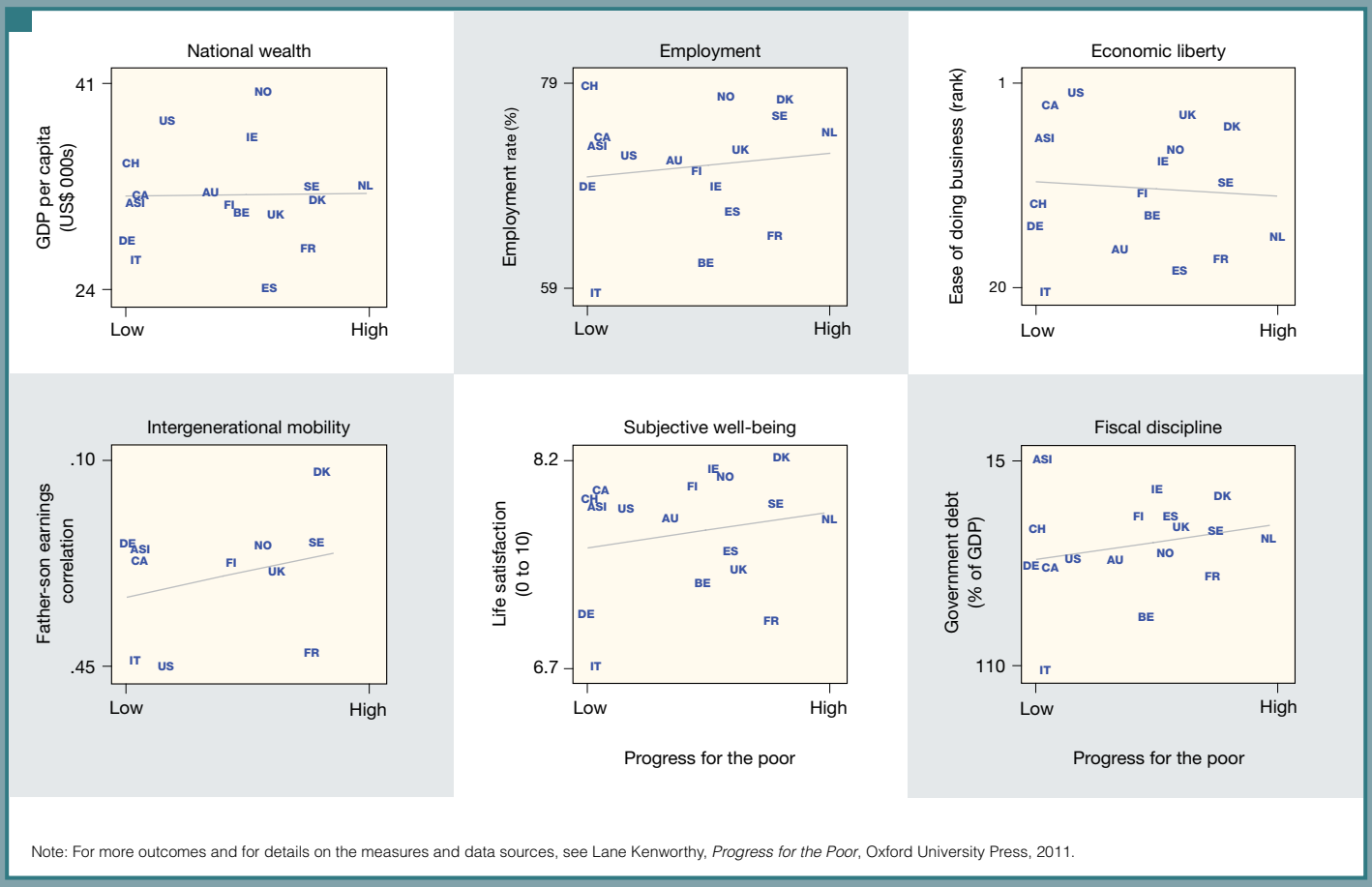
Income isn't a perfect measure of the material well-being of low-end households. We need to supplement it with information on actual living conditions, and researchers and governments now routinely collect such data. Unfortunately, those data aren't available far enough back in time to give us a reliable comparative picture of changes. For that, income remains our best guide. What the income data tell us is that the United States has done less well by its poor than many other affluent nations, because we've failed to keep government supports for the least well-off rising in sync with our GDP.

Tradeoffs?

It often is said that there is no free lunch, that generosity comes at a cost. If we commit to improvement in the absolute living standards of the least well-off, must we sacrifice other desirable outcomes?

Here, too, the experiences of rich nations over the past several decades can offer some insight. I begin with a measure of "progress for the poor": the slope of each country's line in charts such as those shown in Figure 1. This is an

FIGURE 3 Are there tradeoffs between progress for the poor and other desirable outcomes?



Note: For more outcomes and for details on the measures and data sources, see Lane Kenworthy, *Progress for the Poor*, Oxford University Press, 2011.

indicator of the degree to which low-end household incomes rise as the society gets richer. Figure 3 displays a number of scatterplot graphs, each of which has this measure on the horizontal axis. Countries positioned to the right have been more successful at boosting the incomes of poor households. On the vertical axes are indicators of economic health, liberty, mobility, happiness, and fiscal discipline. These are measured at the end of the period, around the year 2007 (before the economic crash). Each of the outcome measures is arrayed so that it is better to be higher on the vertical axis. Evidence suggestive of a tradeoff would therefore appear in the form of a negatively sloped line.

The conclusion from these charts is straightforward: There is little or no indication that improvement in the incomes of the poor entails a sacrifice of other valued outcomes.

Prospects for Progress in America

Modest, regularized increases in the inflation-adjusted benefit levels of existing social programs—the Earned Income Tax Credit, unemployment compensation, social assistance (TANF and SNAP), housing assistance, and disability benefits—would yield significant improvements in the incomes of America's least well-off.

Recent developments just across the pond have shown us the way. One of the most successful recent antipoverty efforts in affluent countries was that of the New Labour governments in the United Kingdom from the late 1990s through the late 2000s. Though Tony Blair and Gordon Brown's governments focused much of their rhetoric and policy reform on improving employment and economic opportunity, they also increased net government transfers to low earners, single parents, and pensioners. Benefit and tax changes between 1997 and 2005 increased real disposable income for lowest-income households by about 20 percent. This increase was one of the largest in any of the rich countries for which reliable data are available.

Unfortunately, apart from a few exceptions such as the EITC, movement in this direction here in the United States has been halting. In most other cases, the politics of helping

The world of social policy is not a deterministic one. Structures and institutions constrain, but they don't dictate outcomes.... The possibilities for American social policy surely are not endless, but neither are they as limited as a focus on America's political structure might lead us to presume.

America's poor have proved quite difficult.

Is public opinion the obstacle? Most Americans support capitalism and business. Many believe hard work, rather than luck or help from others, is the key to success. Many feel they have opportunity to get ahead. At a general level, many are skeptical about the government's ability to help. Yet many believe income inequality is too high and that high inequality is not necessary for the country's prosperity. There is only limited support for enhanced redistribution as a remedy for high inequality, but Americans do support increased government spending on programs perceived to enhance opportunity and economic security. And a majority consistently favors increased government expenditure on the poor.

Social scientists' research on the determinants of social policy generosity tells us that what matters most are institutions. Given America's political institutions—the lack of a social democratic political party, a privatized system of campaign financing, a majoritarian electoral system, a federal government structure, extensive separation of power across the three branches of government, a bicameral legislature, and the filibuster practice in the Senate—it is not surprising that we are a laggard among the rich countries in public safety net generosity.

Yet the world of social policy is not a deterministic one. Structures and institutions constrain, but they don't dictate outcomes. For instance, over the past century, center-right Christian democratic parties have been nearly as important as social democratic ones in promoting generous social programs. Government support for child care and early education in continental Belgium and France rivals that in social-democratic Denmark, Norway, and Sweden. In recent years, EITC-type policies have been implemented and expanded in widely diverse institutional settings and by governments at all ends of the partisan spectrum.

It was not foreordained that the United States would institute public health insurance programs for its elderly and its poor in the 1960s and enhance them in subsequent decades; expand its social assistance programs in the 1960s (AFDC) and 1970s (food stamps); create an employment-conditional earnings subsidy in the 1970s (the EITC) and expand it in ensuing years; implement severe time limits on receipt of a key social assistance benefit (TANF) in the 1990s; or fail to adopt government support for near-universal health care coverage in the 1970s and 1990s but then pass it in 2010.

The possibilities for American social policy surely are not endless, but neither are they as limited as a focus on America's political structure might lead us to presume. Over the course of the past century, U.S. policymakers sometimes have been able, even at unlikely moments, to fashion compromises that helped boost the incomes and material well-being of America's low-end households. When new or expanded programs have worked reasonably well, Americans have tended to like them. They then become difficult to remove. This staying power is aided by the array of veto points in the U.S. policy-making process.

The trajectory of American social policy has therefore tended to be one of advance—slow and halting advance, but advance nonetheless. To me this suggests reason for optimism about prospects for the future.

Lane Kenworthy is professor of sociology and political science at the University of Arizona. This article draws on his book Progress for the Poor *(Oxford University Press, 2011).*

Stanford Center for the Study of Poverty and Inequality
Building 370, 450 Serra Mall
Stanford University
Stanford, CA 94305-2029

NON PROFIT ORG.
U.S. POSTAGE
PAID
Permit No. 198
MIDLAND, MI

The Stanford Center for the Study of Poverty and Inequality
is a program of the **Institute for Research in the Social Sciences.**
Funding from the **Elfenworks Foundation** and the
U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation
gratefully acknowledged. For more information, go to:
www.elfenworks.org, **www.aspe.hhs.gov**.

WWW.INEQUALITY.COM