

THE POVERTY AND INEQUALITY REPORT

The Stanford Center on Poverty and Inequality

DAVID B. GRUSKY, MARYBETH J. MATTINGLY,
AND CHARLES VARNER

The Stanford Center on Poverty and Inequality (CPI), one of the country's three federally-funded poverty centers, is a nonpartisan organization dedicated to monitoring trends in poverty and inequality, examining what is driving those trends, and developing science-based policy on poverty and inequality. We present here our second annual report documenting trends across eight key domains and evaluating their implications for efforts to reduce poverty and inequality and equalize opportunity.

The purpose of establishing this annual series is to ensure that the key facts on poverty and inequality enjoy the same visibility as other indicators of the country's health. As it stands, there are all manner of analyses that focus on particular aspects of poverty and inequality, including excellent studies that take on separately such issues as poverty, employment, income inequality, health inequality, economic mobility, or educational access. This report instead provides a unified analysis that brings together evidence across eight key domains (see Table 1 for a listing), thereby allowing a global assessment of where problems exist, where achievements are evident, and how a coordinated effort to reduce poverty and equalize opportunity might be undertaken. In future years, we plan to expand the domains that we cover, and we also hope that many states and cities will join in this annual assessment of how the country is faring on core poverty and inequality indicators.

For our 2015 report, we are focusing on state-level variation in key poverty and inequality outcomes, a focus that is motivated by the country's long-standing commitment to a decentralized approach to school policy, safety net policy, housing policy, and even labor market policy. This decentralization has allowed states to develop their own constellation of institutions and practices that may in turn result in very different poverty and inequality profiles. But exactly how much difference is observed? Is the United States indeed running 50 very different poverty and inequality regimes? Have

any states been able to stem the poverty-increasing effects of the Great Recession? Have any states been able to reverse the country’s spectacular takeoff in income inequality?

For each domain, the leading experts in the country have been asked to take on just such questions, the objective being to crisply characterize the best and most current evidence available. In Table 1, we have listed the key indicators used to describe state profiles, and we have also provided the mean, minimum, and maximum for each indicator (across the 50 states and the District of Columbia). As a further summary of our results, the bar chart in Figure 1 presents the overall poverty and inequality ranking for each state, with the rank of “1” meaning that the state has the country’s best poverty and inequality score (when averaged across all eight domains), and a rank of “51” meaning it has the worst such score. We have also provided domain-specific rankings in Table 2 and the correlations between domain scores in Table 3.

What, then are the main conclusions of our report? Although we obviously cannot do justice to the wealth of results reported here, we review below five key conclusions.

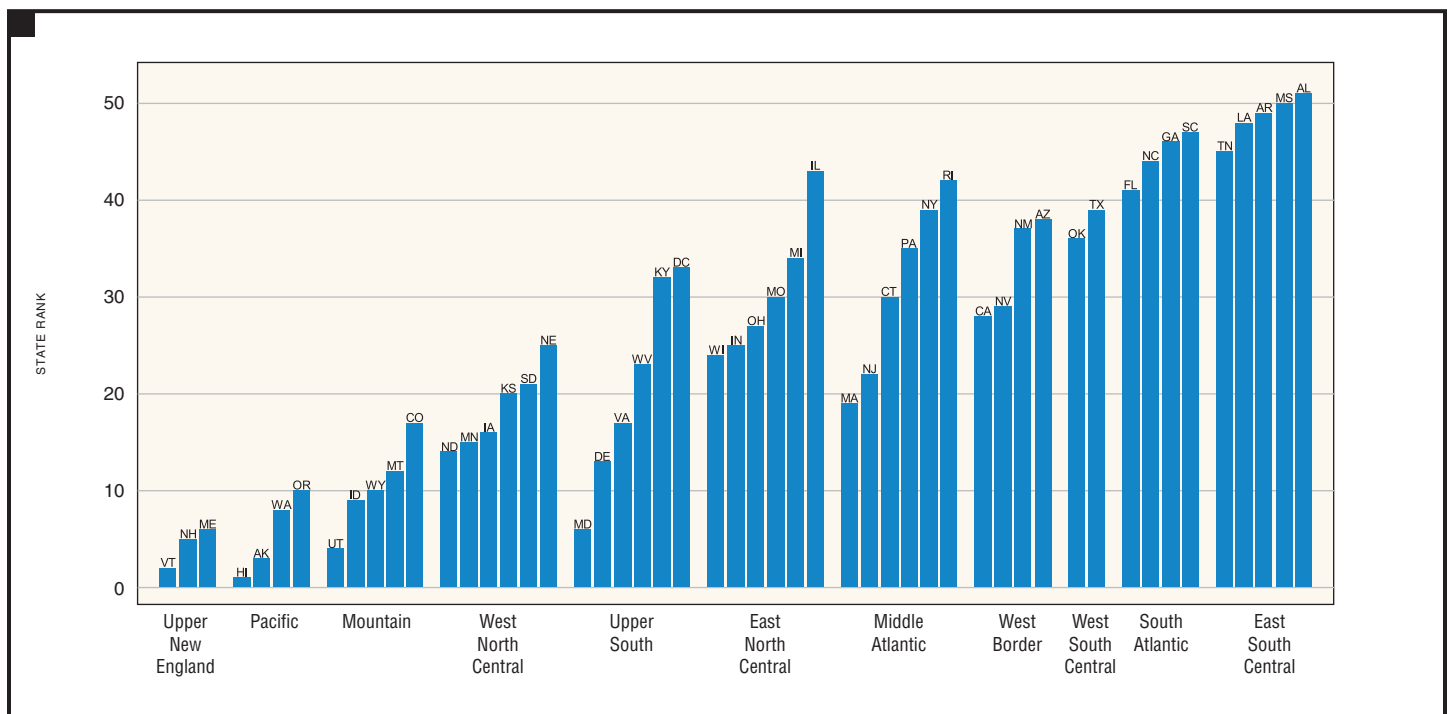
Conclusion #1: There is substantial state variation in poverty, mobility, and inequality outcomes.

It may be unsurprising that states differ dramatically in their poverty, mobility, and inequality outcomes. But the extent to which states matter and the range of domains across which they matter *is* perhaps surprising. The simple implication: When the stork drops a child into his or her new home, the location of that drop will affect fundamentally the child’s risk of facing poverty or segregation or experiencing reduced opportunities for mobility.¹ In Table 1, a full reporting of such variability is provided (see far-right columns), but the following examples suffice to convey the story:

The employment rate for prime-age men (ages 25 to 54) ranges from 74.6 percent in West Virginia to 90.3 percent in Nebraska. For women, the corresponding range is yet larger, with West Virginia again anchoring the bottom of the distribution (62.2 percent) and Iowa anchoring the top (80.7 percent).

The official poverty rate likewise varies widely, with the chances of being in poverty more than twice as large in some states (e.g., Mississippi, New Mexico) as others (e.g., New Hampshire, Maryland).

FIGURE 1. State Ranking Averaged Across All Domains



NOTE: See the stub to Table 2 for a description of how these ranks were calculated.

TABLE 1. Selected List of Poverty and Inequality Measures

Domain	Measure	Mean	Minimum	Maximum		
Labor Markets	Prime-Age Employment Ratio (Men)	0.83	0.75	WV	0.90	NE
	Prime-Age Employment Ratio (Women)	0.71	0.62	WV	0.81	IA
Poverty	OPM Poverty Rate (%)	15.13	8.76	NH	24.34	MS
	Black/White Ratio	2.45	1.33	WV	4.41	CT
	Hispanic/White Ratio	2.67	0.96	HI	4.31	MN
	SPM Poverty Rate (%)	14.13	8.70	IA	23.40	CA
Income Inequality	Standard-of-Living Gini	0.42	0.34	UT	0.53	DC
	Top 10% Share	0.45	0.38	WV	0.65	WY
	Top 1% Share	0.19	0.12	WV	0.50	WY
Spatial Segregation	Black-White	72.63	55.87	NV	84.69	MT
	Hispanic-White	61.38	40.81	HI	72.00	WV
	Asian-White	66.34	34.15	DC	81.25	WV
Safety Net	Poverty Relief Ratio	0.47	0.34	WY	0.62	NJ
Education	College Completion Rate (%)	29.25	19.33	NM	63.35	DC
	Hispanic/White Ratio	0.40	0.21	DE	0.74	WV
	Black/White Ratio	0.54	0.30	DC	1.59	WY
	Hispanic-White Socioeconomic Disparity	0.72	0.23	VT	1.38	DC
	Black-White Socioeconomic Disparity	0.48	-0.04	MT	1.56	DC
	Hispanic-White Achievement Gap (Grade 8)	0.73	0.28	WV	1.63	DC
	Black-White Achievement Gap (Grade 8)	0.93	0.36	HI	1.76	DC
Health	Uninsured Rate	0.16	0.06	MA	0.28	TX
	Foregone Care Rate	0.15	0.07	ND	0.22	MS
	Poor-Fair Health Rate	0.17	0.12	VT	0.26	WV
	Smoking Rate	0.19	0.10	UT	0.27	WV
	Diabetes Rate	0.10	0.06	CO	0.14	AL
	Uninsured Rate (<\$25k/>\$50k Ratio)	6.68	3.09	ND	11.79	CT
	Foregone Care Rate (<\$25k/>\$50k Ratio)	5.13	2.59	AK	6.85	IA
	Poor-Fair Health Rate (<\$25k/>\$50k Ratio)	4.52	2.54	HI	6.74	DC
	Smoking Rate (<\$25k/>\$50k Ratio)	2.49	1.53	TX	4.28	VT
	Diabetes Rate (<\$25k/>\$50k Ratio)	2.07	1.51	AR	3.28	DC
Mobility	Prob. Child Born in Bottom 20% Reaches Top 20%	0.09	0.04	SC	0.19	ND

Note: See the relevant report chapters for a description of sources and operationalizations.

The range in top income shares is also extremely wide. The top one percent controls 30 percent or more of total income in some states (e.g., New York = 30.8; Wyoming = 49.7) but less than 15 percent in many others (e.g., West Virginia = 12.0; Maine = 13.3).

There are dramatic differences in the extent to which states are racially segregated. For example, 80.7 percent of blacks in Illinois would have to move to a new neighborhood to fully integrate with whites, whereas only 55.9 percent of blacks in Nevada would have to do so.

For children raised in families in the bottom quintile of the (national) income distribution, the chances of reaching the top quintile by adulthood exceed 15 percent in some states (e.g., North Dakota) but are less than 5 percent in others (e.g., South Carolina).

This variability may be understood as extreme in the sense that it often rivals the variability that obtains cross-nationally. If one compares, for example, the variability in top income shares across U.S. states with the variability across the well-off countries of North America and Continental Europe, one finds more variability *within* the U.S.² The same conclusion holds with respect to absolute poverty rates.³ Similarly, while much has been made of cross-national differences in mobility, our report shows that rates of upward economic mobility within some states are “lower than in any developed country for which data have been analyzed to date” (see “Economic Mobility,” p. 55). Although the American conceit is that one has to look outside the country to find extreme poverty, immobility, or inequality, in fact there’s plenty to be had right here at home.

Conclusion #2: This variability is driven—in part—by state policy.

It has long been appreciated that, when it comes to poverty and inequality policy, many of the available levers are found principally at the state or local level. It is states that decide whether to raise the minimum wage or to supplement the Earned Income Tax Credit and thereby increase employment, reduce poverty, and ramp up opportunities for intergenerational mobility. It is states that decide on their commitment to compensatory preschool and their policies on primary, secondary, and tertiary education. It is states that settle on school-to-work programs in career and technical education. And, perhaps most importantly, it is states that decide how to implement temporary assistance programs for families in need.

The key question is whether this discretion is vigorously exercised. We find that, at least when it comes to safety net funding, it indeed is: *There is much variability across states in the effectiveness of their safety nets, with some states providing almost two-thirds of the support needed to bring incomes up to the poverty line (e.g., New Jersey), while others provide no more than one-third of the requisite support (e.g., Wyoming).* It follows that, when one’s market income falls short, much rides on whether one lives in a state with an effective safety net. Moreover, states not only differ in the amount of support they provide, they also differ in how that support is meted out. Whereas some states provide, for example, substantial support to very poor families, others tailor packages that instead emphasize support for working-poor families with relatively high incomes (see “Safety Net,” p. 37).

There are of course many poverty and inequality outcomes that are difficult to control with state policy. However, states do have considerable control over safety net policy, and the evidence is clear that states exercise this control very vigorously.

Conclusion #3: Because states that score low in one domain tend to score low in many others, there is a striking cumulation of disadvantage that creates especially wide overall disparities across states.

This report is surely not the first one to note that states vary widely in their poverty rates, mobility rates, or employment rates.⁴ However, because such previous reports have typically examined variability in just one domain, the cumulation of disadvantage within a small number of heavily disadvantaged states has not been widely discussed.

This cumulation of disadvantage is clearly revealed in Table 2. As shown here, states that score low in one domain (e.g., health) tend to score low in another (e.g., labor markets), with the implication that children are multiply disadvantaged in many states. The lowest-ranked state appearing in Table 2, Alabama, scores 49th in labor markets, 44th in poverty, 39th in segregation, 49th in safety net policy, 37th in education, 49th in health, and 46th in mobility. It follows that children growing up in Alabama have poor health outcomes, face a weak labor market, have limited opportunities for education and mobility, and cannot count on much support from the safety net. Obversely, children growing up in Vermont (see row 1, Table 1) benefit from the 7th best labor market, the 3rd lowest poverty rate, and the 4th best health outcomes. The strong inter-domain correlations of Table 3 serve to quantify this tendency for advantage and disadvantage to cumulate.

TABLE 2. Overall and Domain-Specific Rankings

Region	State	Overall	Labor Markets	Poverty	Inequality	Spatial Segregation	Safety Net	Education	Health	Economic Mobility
Upper New England	VT	2	7	3	3	21	16	1	4	27
	NH	5	6	11	16	15	36	4	26	16
	ME	6	28	17	4	36	12	5	12	31
Pacific	HI	1	16	7	1	1	5	9	1	17
	AK	3	19	1	7	3	34	7	18	3
	WA	8	20	21	36	5	3	22	26	13
	OR	10	35	18	10	8	6	18	39	25
Mountain	UT	4	21	38	19	6	11	22	5	6
	ID	9	17	6	13	27	9	29	30	24
	WY	10	13	4	39	37	50	6	8	2
	MT	12	15	9	32	39	39	2	20	7
	CO	17	10	22	37	10	27	50	9	18
West North Central	ND	14	1	14	40	50	48	16	2	1
	MN	15	5	27	27	30	22	42	11	11
	IA	16	4	16	8	43	25	40	36	4
	KS	20	8	15	22	24	30	39	33	19
	SD	21	2	20	34	51	44	17	18	5
	NE	25	2	22	17	43	41	51	30	9
Upper South	MD	6	12	5	18	22	28	15	6	39
	DE	13	28	24	5	8	17	30	16	41
	VA	17	11	2	15	12	42	12	47	42
	WV	23	51	8	6	49	38	3	36	12
	KY	32	44	12	12	31	40	8	42	36
	DC	33	17	51	51	14	NA	47	9	8
East North Central	WI	24	8	41	10	46	15	45	15	26
	IN	25	32	26	2	39	20	21	38	37
	OH	27	34	19	9	31	23	24	32	45
	MO	30	22	10	31	33	35	13	40	40
	MI	34	39	28	21	34	8	28	28	44
	IL	43	26	34	41	38	14	41	23	35
Middle Atlantic	MA	19	14	35	46	25	2	34	16	15
	NJ	22	28	45	37	26	1	44	2	10
	CT	30	23	33	43	18	19	49	7	32
	PA	35	25	36	28	48	13	30	24	28
	NY	39	38	38	50	45	18	24	12	20
	RI	42	28	49	28	29	4	48	34	30
West Border	CA	28	40	37	47	11	7	43	20	14
	NV	29	41	29	49	1	10	45	22	23
	NM	37	50	30	24	6	37	26	35	29
	AZ	38	47	40	35	3	24	32	29	33
West South Central	OK	36	33	13	41	23	46	14	45	21
	TX	39	27	50	45	19	32	38	12	22
South Atlantic	FL	41	35	31	47	13	43	10	24	43
	NC	44	23	43	23	16	21	36	51	49
	GA	46	35	46	33	19	31	20	41	50
	SC	47	43	48	14	17	26	34	50	51
East North Central	TN	45	41	24	26	35	45	10	43	47
	LA	48	45	41	44	28	29	19	46	38
	AR	49	46	32	30	46	47	27	48	34
	MS	50	47	47	25	39	33	33	44	48
	AL	51	49	44	20	39	49	37	49	46

NOTE: The ranks presented here were secured by (a) converting the scores on the indicators in Table 1 to state rankings, (b) averaging across the rankings comprising each domain and converting these averages to domain-specific rankings, and (c) then averaging across these domain-specific rankings to produce an overall state ranking.

Although a few domains are quite unrelated from the others (e.g., segregation, inequality), most of them are strongly inter-correlated. The simple upshot: The tendency for “all bad things to come together” creates especially wide disparities across states in opportunities and outcomes.

Conclusion #4: The cost of residing in a high-poverty state is magnified by the regional clustering of disadvantage. The most extreme disadvantage is found in three contiguous Southern regions (East South Central, South Atlantic, West South Central), whereas the most advantaged regions are located far apart in New England and the Pacific respectively.

The high-poverty states *could* of course be scattered haphazardly across the United States. If that were the case, then children born into them would see nearby opportunities and could readily move into less disadvantaged adjacent states.

It turns out, however, that many of the high-poverty states are clustered together in larger *regions of disadvantage*. Because disadvantage is regionally concentrated in this way, residents of high-poverty states are obliged to “leapfrog” over vast swaths of equally poor states to escape disadvantage. The South forms a particularly large swath of such concentrated disadvantage: The three contiguous Southern regions—the East South Central, South Atlantic, and West South Central

—are the most disadvantaged areas in the United States. The two most advantaged regions are, by contrast, relatively small “islands” located far apart from one another (i.e., Upper New England, Pacific). This regional pattern of advantage and disadvantage is represented in Figure 1.

Conclusion #5: There are clear limits to state policy. The two main economic forces of our time—the long-term rise in income inequality and the recent economic downturn—continue to exert powerful effects that overwhelm state policy.

Although states differ substantially in their baseline levels of employment, poverty, and income inequality, there is a striking cross-state consistency in how those baseline levels have responded to the main economic forces of our time.

In every state, the Great Recession reduced prime-age employment, with this reduction persisting even well after the recovery. No state had a higher percentage of prime-age adults employed in 2012 or 2013 than it had before 2008.

The post-recession recovery has not brought about a reduction in poverty (relative to the pre-recession baseline) in any state. In only six states have poverty rates returned to their pre-recession levels.

TABLE 3. Rank Correlations for Domain-Specific Rankings

	Labor Markets	Poverty	Inequality	Spatial Segregation	Safety Net	Education	Health	Economic Mobility
Labor Markets	1.000							
Poverty	0.809	1.000						
Inequality	0.096	0.300	1.000					
Spatial Segregation	-0.083	-0.183	-0.041	1.000				
Safety Net	0.028	-0.024	0.066	0.318	1.000			
Education	0.611	0.480	-0.144	-0.106	0.325	1.000		
Health	0.514	0.423	-0.167	0.122	0.338	0.456	1.000	
Economic Mobility	0.551	0.456	-0.158	-0.052	0.043	0.214	0.581	1.000

NOTE: The correlations reported here were calculated as described in the note to Table 2 (except that racial and ethnic measures were omitted before calculating the domain-specific rankings for the poverty and education domains).

The share of total income going to the top 1 percent or the top 10 percent has increased in every state since 1980. The Great Recession halted this rise, but only temporarily.

These results, which are of course described in more detail in the following chapters, reveal the limits to state policy when it is faced with overwhelming forces of the sort behind the Great Recession and the takeoff in income inequality.

A New War on Poverty and Inequality?

It is useful in closing to ask whether state—or even federal—policy is *intrinsicly* limited in its capacity to take on forces of this magnitude. Although a main objective of this report is simply to document cross-state differences in poverty and inequality, a secondary one is to ask whether the pattern of results tells us anything about how a new War on Poverty, were we to choose to wage one, might bring about meaningful and permanent change.

It is sometimes argued that rising income inequality and intransigent poverty are backed by inexorable forces that are well beyond the reach of policy. This pessimism rests, however, on the assumption that anti-poverty policy must necessarily be shrunken and highly circumscribed, as of course it now is. If we continue to limit ourselves to narrow-gauge and piecemeal reform of schools, the safety net, and the economy, then

of course we'll likely continue to yield equally small returns.

The alternative to such narrow-gauge efforts is major institutional reform that eliminates fundamental inequalities of access and opportunity that in turn generate illicit returns and much rent, poverty, and inequality. These reforms, especially those pertaining to inequalities of training and opportunity, are in some cases well within the purview of state policy.

To be sure, major institutional reform is more often the province of national policy, but even that ought not definitively rule it out. The great American experiment has it that institutions are perfectible and should be recast whenever they're not realizing the larger ideals at stake. The history of the United States is studded with such reform: We abolished slavery, overhauled labor and employment law, took on school segregation, and fought a first War on Poverty.

The current tendency, unfortunately, is to treat the institutional landscape as given and move quickly and immediately to piecemeal discussion of piecemeal reform. If a second war on poverty and inequality is to be a real war founded on a real commitment to win it, we might want to step back and open up to larger reform, no matter how daunting doing so may now seem. ■

NOTES

1. This metaphor of course assumes that children remain within the state into which they are dropped and are thus subjected for their lifetime to the probabilities implied by that state's scores. It also rests on the strong—and largely unsubstantiated—assumption that the state differences reported here should be taken to indicate truly causal “state effects.”

2. Atkinson, Anthony B., Thomas Piketty, and Emmanuel Saez. 2011. “Top Incomes in the Long Run of History.” *Journal of Economic Literature* 49:1, pp. 3-71.

3. Gornick, Janet C., and Markus Jäntti. 2012. “Child poverty in cross-national perspective: Lessons from the Luxembourg Income Study.” *Children and Youth Services Review* 34, pp. 558-68.

4. See, e.g., Sommeiller, Estelle, and Mark Price. 2015. “The Increasingly Unequal States of America.” *Economic Policy Institute*. <http://www.epi.org/publication/income-inequality-by-state-1917-to-2012/>