

Poor Excuses

How Neglecting Poverty Costs All Americans

One of the most encouraging developments in the 1990s was a significant decline in the number of poor Americans. Sustained economic prosperity dramatically reduced unemployment while lifting nearly seven million citizens out of poverty.

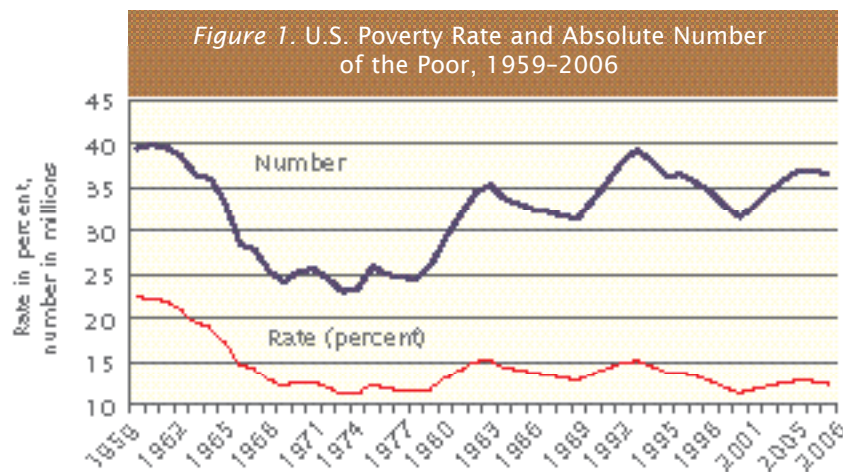
But this decade, notwithstanding a modestly growing economy, poverty levels have climbed. Between 2000 and 2006, the number of Americans in poverty increased by 4.9 million—from 11.3 percent of the population in 2000 to 12.3 percent in 2006.¹ In fact, today more than one in six children and one in eight Americans are living in poverty. Unfortunately, not only have no new policies been enacted to help improve prospects for low-income households, but federal and state governments, hit with budget deficits, have been cutting back some existing programs.

America's economic history has shown that reducing poverty requires vigorous economic growth. But a related lesson of the past seven years is that this progress can be erased during economic downturns unless there are policies targeted to helping low-income Americans. Research has demonstrated that one of the main reasons fighting poverty is so difficult is that individuals and families who live in predominantly poor neighborhoods confront a variety of interrelated forces that make it difficult for them to improve their lives. In communities where a large share of the population is poor, schools tend to be bad, good jobs scarce, medical facilities overcrowded, crime rates high, and housing dilapidated. Against such odds, few succeed.

Many politicians ignore the problem entirely, either because they see little political gain from discussing the subject or because they consider poverty to be too intractable to be alleviated by public policy. Evidence is mounting, however, that some initiatives can improve prospects for the poor. Whether or not there is the political will to pursue those efforts remains an open question.

Poverty's Ups and Downs

The poverty rate declined during the 1990s to 11.3 percent—the lowest level in more than two decades.² As Figure 1 shows, since 1965 the poverty rate has stubbornly remained in a narrow band between roughly 11 percent and 15 percent of the population; the total number of poor citizens has fluctuated between 30 million and 40 million since the early 1980s.



Source: Historic Poverty Tables, *Current Population Survey: 1959–2005*, Bureau of the Census, U.S. Department of Commerce, Table 2, available online at <http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html>.

million since the early 1980s.

The increasing poverty since 2000 has resulted in more impoverished American children—over 12.8 million under the age of eighteen—than there were thirty years ago.³

According to the Children's Defense Fund and *The Future of Children*, the consequences for children of growing up in poverty are severe, impeding their ability to succeed as adults:

- ☒ Poor children are at least twice as likely as others to suffer stunted growth or lead poisoning.
- ☒ Poor children score significantly lower on reading, math, and vocabulary tests and are twice as likely to be kept back in school compared to otherwise similar children.
- ☒ Over half of poor Americans experience serious deprivations during the year (defined as lack of food, utility shutoffs, crowded or substandard housing, or lack of a stove or refrigerator).⁴

The Heart of the Problem: Concentrated Poverty

Poverty levels have proved to be so difficult to reduce largely because poor people tend to be isolated in neighborhoods that predominantly consist of other poor people. This problem of concentrated poverty is especially prevalent in urban areas. Researchers analyzing such neighborhoods have found that they are characterized by a multitude of interrelated conditions that, in essence, perpetuate impoverishment from one generation to the next. For example, neighborhoods with concentrated poverty invariably have these traits:

- ☒ **Disconnection from the job market:** Employers generally avoid locating their businesses in high-poverty neighborhoods, reinforcing high levels of unemployment. The lack of relationships with employed family members, friends, and neighbors undercuts the value of work as a norm and deprives one of networks that can provide information and advice about job opportunities.

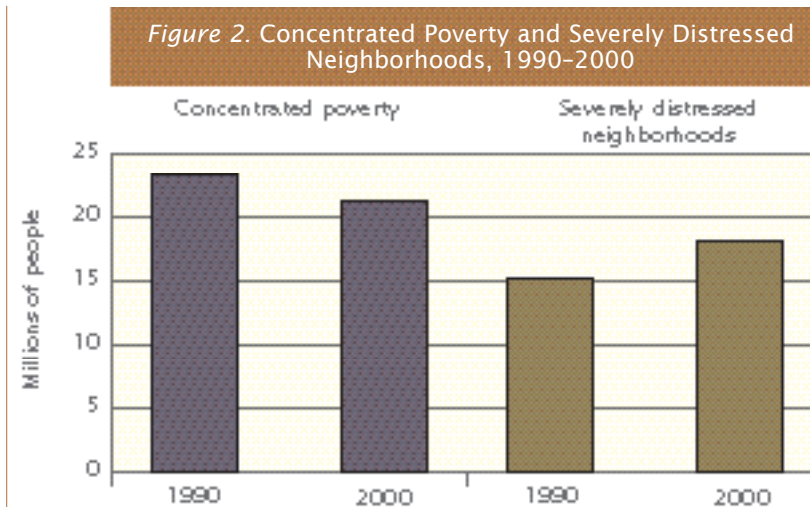
- ❑ Failing or inadequate schools: High student-teacher ratios, rundown school buildings, underqualified teachers, and disengaged parents contribute to the poor test scores and elevated dropout rates that prevail in high-poverty neighborhoods. Poor educational preparation, in turn, makes it far more difficult for students to go on to college or find jobs that will provide a decent income. High school dropouts are ten times more likely to live in poverty than are college graduates.⁵
- ❑ High levels of female-headed households: Unwed mothers have fewer resources available for trying to pull themselves and their children out of poverty. In a 2003 study of unwed mothers, researchers found that 66 percent are under age twenty-four, that 43 percent lack a high school diploma, and that 62 percent earn less than \$10,000 per year.⁶ In 2006, 29.3 percent of female-headed households lived in poverty, compared to just 4.7 percent of households headed by married couples.⁷

Trends in Concentrated Poverty

Different efforts to keep track of the prevalence of concentrated poverty and its effects use different methods. The standard approach is to focus on high-poverty neighborhoods—census tracts in which 30 percent or more of the residents live in poverty. However, the Annie E. Casey Foundation, in collaboration with the Population Reference Bureau, has looked at three indicators in addition to income as a means of identifying “severely distressed neighborhoods”:⁸ the prevalence of female-headed families, high school dropouts, and working-age males unattached to the labor force.⁹

Figure 2 compares concentrated poverty levels as defined by income alone against the Casey Foundation's assessment of severely distressed neighborhoods.

The two trends obviously differ substantially. Concentrated poverty defined by income alone declined from 23.3 million to 21.2 million people, or by 9 percent, but taking into account the other conditions considered by the Casey Foundation, the number of people increased from 15.2 million to 18.1 million, or by more than 19 percent. Clearly, not all Americans benefited from the economic boom of the 1990s. In 2000, about 8 percent of children—and more than one-fifth of poor children—lived in neighborhoods that were classified as severely distressed. And, in light of the overall increase in poverty since both studies were concluded, those numbers are likely to be higher today.¹⁰

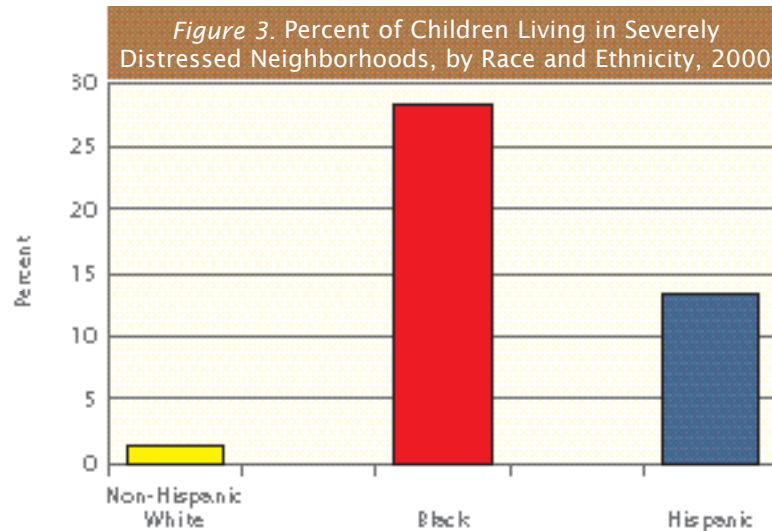


Source: William O'Hare and Mark Mather, "The Growing Number of Kids in Severely Distressed Neighborhoods: Evidence from the 2000 Census," Kids Count/PRB Report on Census 2000, Annie E. Casey Foundation, Baltimore, and Population Reference Bureau, Washington, D.C., October 2003, available online at <http://www.aecf.org/upload/PublicationFiles/DA3622H1280.pdf>.

Race and Poverty

Poverty is concentrated not just geographically but racially as well. In 2006, 35.3 percent of black children and 28 percent of Hispanic children live in poverty, compared to 10.9 percent of non-Hispanic white children.¹¹

Black and Hispanic children also are much more likely to live in severely distressed neighborhoods: in 2000 (the most recent year for which data is available), 28.3



percent of all black children and 13.2 percent of all Hispanic children were growing up in such communities (see Figure 3). Overall, of the 5.6 million children living in severely distressed neighborhoods, 55 percent were black and 29 percent were Hispanic (14.8 percent of all U.S. children are black and 20.3 percent are Hispanic). Only 1.4 percent of white children faced such conditions.¹²

Source: William O'Hare and Mark Mather, "The Growing Number of Kids in Severely Distressed Neighborhoods: Evidence from the 2000 Census," Kids Count/PRB Report on Census 2000, Annie E. Casey Foundation, Baltimore, and Population Reference Bureau, Washington, D.C., October 2003, available online at <http://www.aecf.org/upload/PublicationFiles/DA3622H1280.pdf>.

Government Neglect

Despite sustained growth of the economy between 2002 and 2007, more people were living in poverty at the end of this period than were during the recessionary economic downturn that immediately preceded it. This is the first time in at least forty years that the poverty rate was higher in an economic recovery than it was in the midst of the preceding recession.¹³

As poverty levels have increased, so has the amount of people claiming government benefits. Unfortunately, funds available for most of those programs have not kept pace with the rising cost of living and the higher number of people eligible for them. For example:

- ✘ Although food stamps offer the same amount of monetary support as they did in 2000 (\$1 per meal in 2008 dollars for the average person enrolled in the program), they have lagged behind the rising price of food. Since the turn of the century, overall food prices have risen 75 percent.¹⁴ As a result most food stamp recipients say their stamps last for just two weeks or less out of each month.
- ✘ Due to a funding freeze in the Child Care and Development Block Grant, 150,000 fewer children are receiving child care assistance than did in 2000, and the administration expects another 300,000 children to lose coverage by 2010—a total decline of 18 percent.¹⁵ Cuts in funding for the Temporary Assistance for Needy Families (TANF) program totaling \$800 million, or 20 percent¹⁶ of the 2000 TANF budget, may reduce child care availability even further. Funding for Head Start, the preschool program for low-income children, is down by 11 percent, or \$893 million, from its 2002 level.¹⁷

- ☒ Recently tightened application requirements for Medicaid has resulted in reduced enrollment in at least twenty-two states even though many of the individuals turned away are considered to be eligible for the program.¹⁸ And new regulations issued by the Centers for Medicare and Medicaid Services may reduce coverage even further as they are estimated to cut federal contributions to states by nearly \$10 billion, or about 5 percent of the 2008 federal Medicaid budget, each year for the next five years.¹⁹
- ☒ Earnings of those in poverty have been hampered by a minimum wage, the value of which reached a fifty-year low in 2007. And although it is now set to increase over the course of three phase-in periods, the minimum wage will not reach its target amount of \$7.25 an hour until 2009.

Time for a New Debate

The last time the nation focused on the issue of poverty was during the debate over President Clinton's welfare reform law in 1996. That legislation appears to have done more good than harm on balance, but it did not really attack the concentrations of poverty that lie at the heart of the problem. It is understandable that many Americans consider poverty and the problems connected to it to be intractable. But evidence is mounting that housing policies aimed at enabling low-income families to move to middle-income neighborhoods and public school choice plans that allow poor students to attend middle-class schools really do work.

The war on poverty is far from over—there are more children living in poverty today in the United States than there were thirty years ago. A set of comprehensive public policies addressing this issue is long overdue. As the presidential candidates debate tax cuts for the wealthy and how to protect the middle class, they must also remember those most in need—America's poor.

Prepared by Matt Homer, Elah Lanis, Jonah Liebert,
Martha Paskoff, and Libby Perl.

Notes

1. Historical Poverty Tables, *Current Population Survey: 1959-2006*, Bureau of the Census, U.S. Department of Commerce, Table 2, available online at <http://www.census.gov/hhes/poverty/histpov/hstpov2.html>, and Table 3, available online at <http://www.census.gov/hhes/poverty/histpov/hstpov.html>.
2. The official definition of poverty in the United States was set in the 1960s at three times food expenses for an average family at that time, factoring in family size and composition. The Department of Health and Human Services since has elaborated the definition, adjusting annually for rising prices. However, the basic thresholds have never been modified to incorporate rising living standards or other changes in the economy. The poverty level, which is \$20,000 for a family of four in 2006, is used to determine eligibility for government programs, including Temporary Assistance for Needy Families, Medicaid, and subsidized housing. Many believe this threshold is too low. The National Center for Children in Poverty argues, "In most cases, it is not until a family of four reaches twice the federal poverty level (\$37,700) that parents can provide their children with basic necessities, like housing, food, and health care." See the fact sheet page of the Web site of the National Center for Children in Poverty, Mailman School of Public Health, Columbia University, available online at http://nccp.org/publications/pub_678.html. For more information about the HHS poverty guidelines, see the Poverty Guidelines, Research, and Measurement page of the Web site of the U.S. Department of Health and Human Services, available online at <http://aspe.hhs.gov/poverty/index.shtml>.
3. Historical Poverty Tables, *Current Population Survey: 1959-2006*, Bureau of the Census, U.S. Department of Commerce, Table 3, available online at <http://www.census.gov/hhes/poverty/histpov/hstpov3.html>.
4. See "Increasing the Minimum Wage: An Issue of Children's Well-Being," Children's Defense Fund, Washington, D.C., March 2005, available online at http://childrensdefense.org/site/DocServer/minimum_wagereport2005.pdf?docID=756, and Jeanne Brooks-Gunn and Greg J. Duncan, "The Effects of Poverty on Children," *Children and Poverty* 7, no. 2 (Summer/Fall 1997): 55-71, available online at http://www.futureofchildren.org/usr_doc/vol7no2ART4.pdf.
5. Richard D. Kahlenberg, *All Together Now: Creating Middle-Class Schools through Public School Choice* (Washington, D.C.: Brookings Institution Press, 2001), p. 30.
6. Sara McLanahan et al., "The Fragile Families and Child Wellbeing Study: Baseline National Report," Bendheim-Thoman Center for Research on Child Wellbeing, Princeton University, revised March 2003, available online at <http://www.fragilefamilies.princeton.edu/documents/nationalreport.pdf>.
7. "Poverty Status in the Past 12 Months of Families by Family Type by Presence of Related Children under 18 Years by Age of Related Children," Table B17010, *2006 American Community Survey*, Census Bureau, U.S. Department of Commerce, available online at http://factfinder.census.gov/servlet/DTTable?_bm=y&-geo_id=01000US&-ds_name=ACS_2006_EST_G00_&-lang=en7redoLog=true&-mt_name=ACS_2006_EST_G2000_B17010&-format=&-CONTEXT=dt.
8. Sociologists Erol R. Ricketts and Isabel V. Sawhill first defined what would become known as severely distressed neighborhoods in "Defining and Measuring the Underclass," *Journal of Policy Analysis and*

Management 7, no. 2 (1988): 316–25. Prior to 1996, the number of persons receiving welfare also was used to identify distressed and severely distressed neighborhoods.

9. William O'Hare and Mark Mather, "The Growing Number of Kids in Severely Distressed Neighborhoods: Evidence from the 2000 Census," Kids Count/PRB Report on Census 2000, Annie E. Casey Foundation, Baltimore, and Population Reference Bureau, Washington, D.C., revised October 2003, available online at <http://www.aecf.org/upload/PublicationFiles/DA3622H1280.pdf>.

10. Paul A. Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s," University of Texas at Dallas, May 19, 2003.

11. "Poverty Status in the Past 12 Months by Age," Table B17010 (for Hispanics), Table B17020H (for non-Hispanic whites), and Table B17020B (for blacks), *2006 American Community Survey*, Census Bureau U.S. Department of Commerce, available online at http://factfinder.census.gov/servlet/DTable?_bm=y&geo_id=01000US&-geo_id=NBS&-ds_name=ACS_2006_EST_G00_&-_lang=en&-redoLog=true&-mt_name=ACS_2006_EST_G2000_B17020B&-mt_name=ACS_2006_EST_G2000_B17020H&-mt_name=ACS_2006_EST_G2000_B17020I&-format=&-CONTEXT=dt.

12. O'Hare and Mather, "Growing Number of Kids in Severely Distressed Neighborhoods."

13. "Poverty Remains Higher, and Median Income for Non-Elderly Is Lower, than When Recession Hit Bottom," Center on Budget and Policy Priorities, September 1, 2006, available online at <http://www.cbpp.org/8-29-06pov.htm>.

14. "High Food Prices: A Harsh Reality," The World Bank, February 29, 2008, available online at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC0,,contentMDK:21665883~pagePK:64165401~piPK:64165026~theitePK:469372,00.html>.

15. Rhoda Cohen, Myoung Kim, and Jim Ohls, "Hunger in America 2006: National Report Prepared for America's Second Harvest," Mathematica Policy Research, March 2006, available online at http://www.hungerinamerica.org/export/sites/hungerinamerica/about_the_study/A2HNationalReport.pdf.

Danielle Ewen and Hannah Matthews, "Families Forgotten: Administration's Priorities Put Child Care Low on the List," Center for Law and Social Policy, February 7, 2007, available online at http://www.clasp.org/publications/2008_budget_child_care.pdf.

16. Ibid.

17. Sharon Parrott, "2008 Omnibus Appropriations Bill Cuts Funding for Head Start: Bipartisan Reauthorization Bill Enacted Two Weeks Before Omnibus Was Completed Called for Increased Investment," Center on Budget and Policy Priorities, February 6, 2008, available online at <http://www.cbpp.org/2-5-08bud.htm>.

18. "Medicaid: States Reported That Citizenship Documentation Requirement Resulted in Enrollment Declines for Eligible Citizens and Posed Administrative Burdens," Government Accountability Office, GAO-07-889, June 2007, available online at <http://www.gao.gov/new.items/d07889.pdf>.

19. "The Administration's Medicaid Regulations: State-By-State Impacts," U.S. House of Representatives, Committee on Oversight and Government Reform, available online at <http://oversight.house.gov/features/medicaid08/>.

For more information on this topic and others,
please visit our Web site at

<http://www.tcf.org>

THE CENTURY FOUNDATION

HEADQUARTERS:
41 East 70th Street
New York, New York 10021
212-535-4441

WASHINGTON, D.C., OFFICE:
1333 H Street, N.W., 10th floor
Washington, D.C. 20005
202-387-0400

Manufactured in the United States of America.
Copyright © 2008 by The Century Foundation, Inc. All rights reserved. No part of this publication
may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means,
electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission
of The Century Foundation.
Cover design and illustration: Claude Goodwin