

Poverty and Antipoverty Policies after the Great Recession

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Overview

- Historical Trends—from a “Rising Tide Lifts all Boats,” to a “Gilded Age of Rising Inequalities”
- The Great Recession and the 2009 Stimulus
- Early Findings from the Michigan Recession and Recovery Study
- How to Reduce Poverty and Promote Opportunity in the Next Decade

The Post-War on Poverty Decade

- A golden age of social program growth at the end of a golden age of economic growth.
- Optimism about government's ability to solve complex social problems.
- Willingness to spend federal funds to reduce poverty and promote equal opportunity
- Willingness to take federal action in face of state & local government opposition

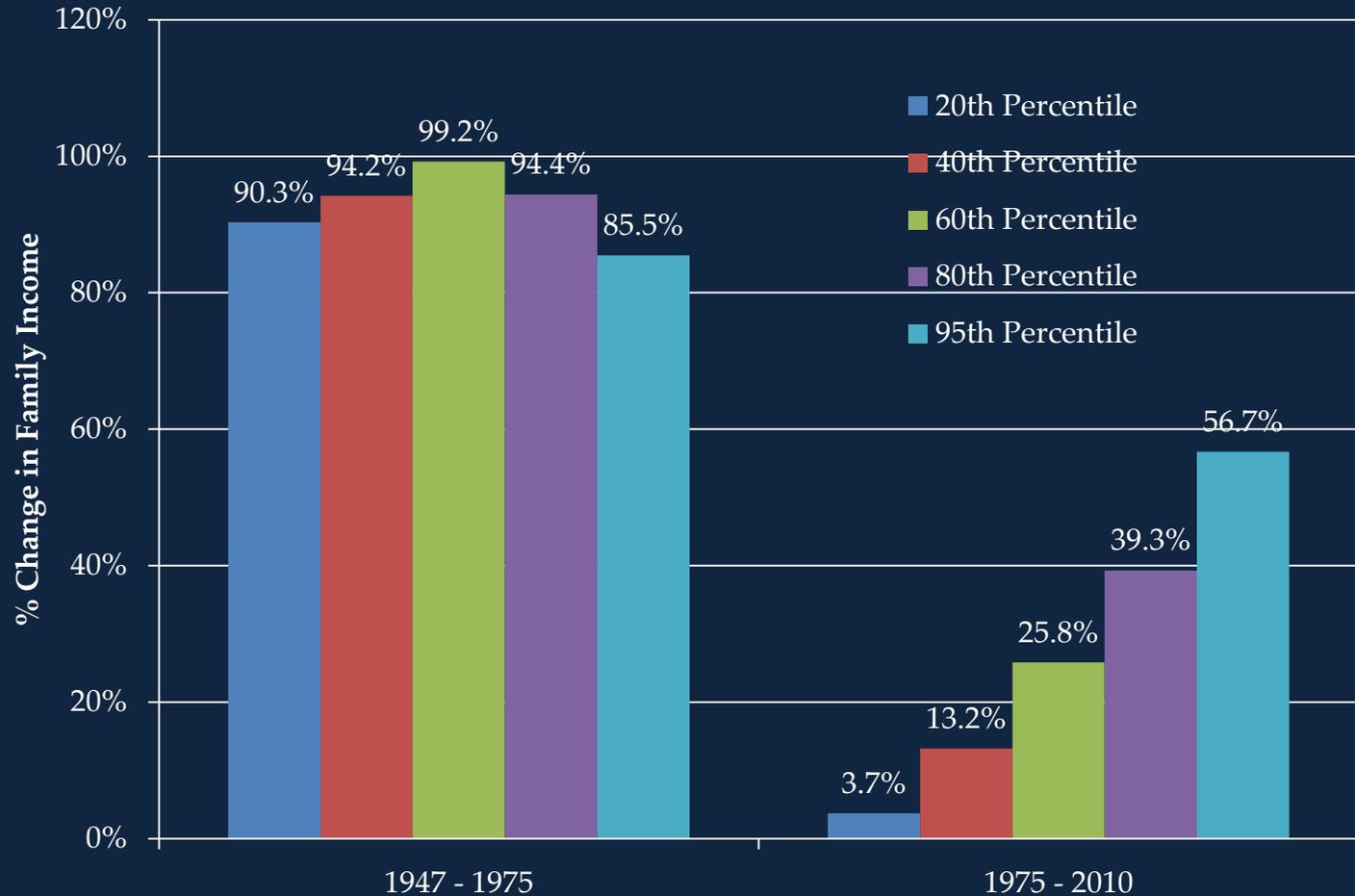
A Rising Tide Lifts All Boats, 1947-73

- Rapid Economic Growth, modest recessions
- Rapid wage growth for all workers
- Spread of employer-provided health insurance and pensions
- Minimum wage rises relative to inflation
- Rapidly falling poverty
- Slowly falling income inequality

A Gilded Age of Rising Inequality, 1973-present

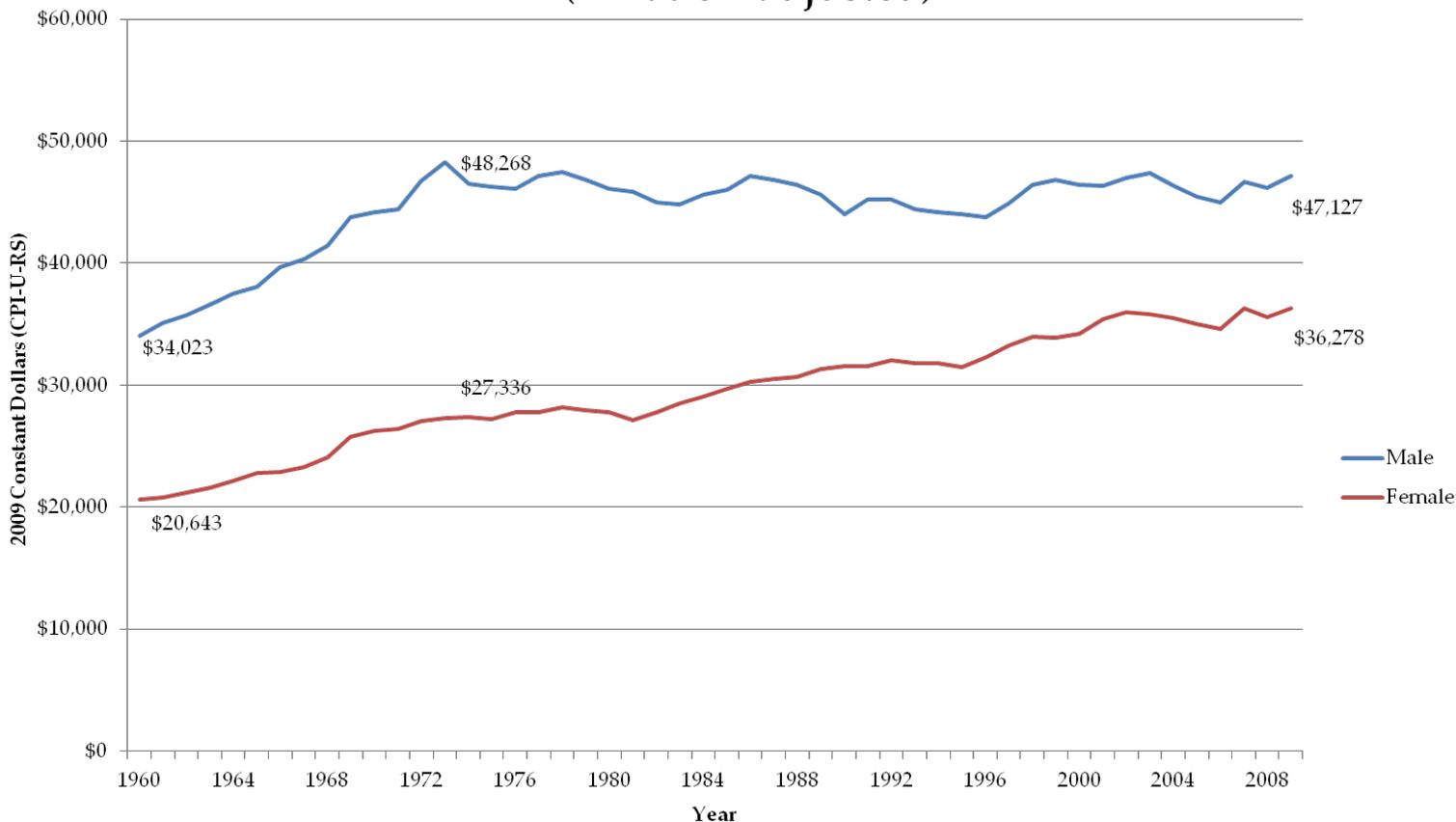
- Poverty rises above 15% during severe recessions of early 1980s
- Poverty falls during recoveries, but not to 1973 level
- Less-educated workers no longer benefit from economic growth
- Inequality increases rapidly
- Effective safety net only for elderly

Change in Family Income (inflation-adjusted) at Selected Points in the distribution



Source: U.S. Census Bureau (2011). *Table F-1. Income Limits for Each Fifth and Top 5 Percent of Families, from Historical Income Tables*. Retrieved from: <http://www.census.gov/hhes/www/income/data/historical/index.html>

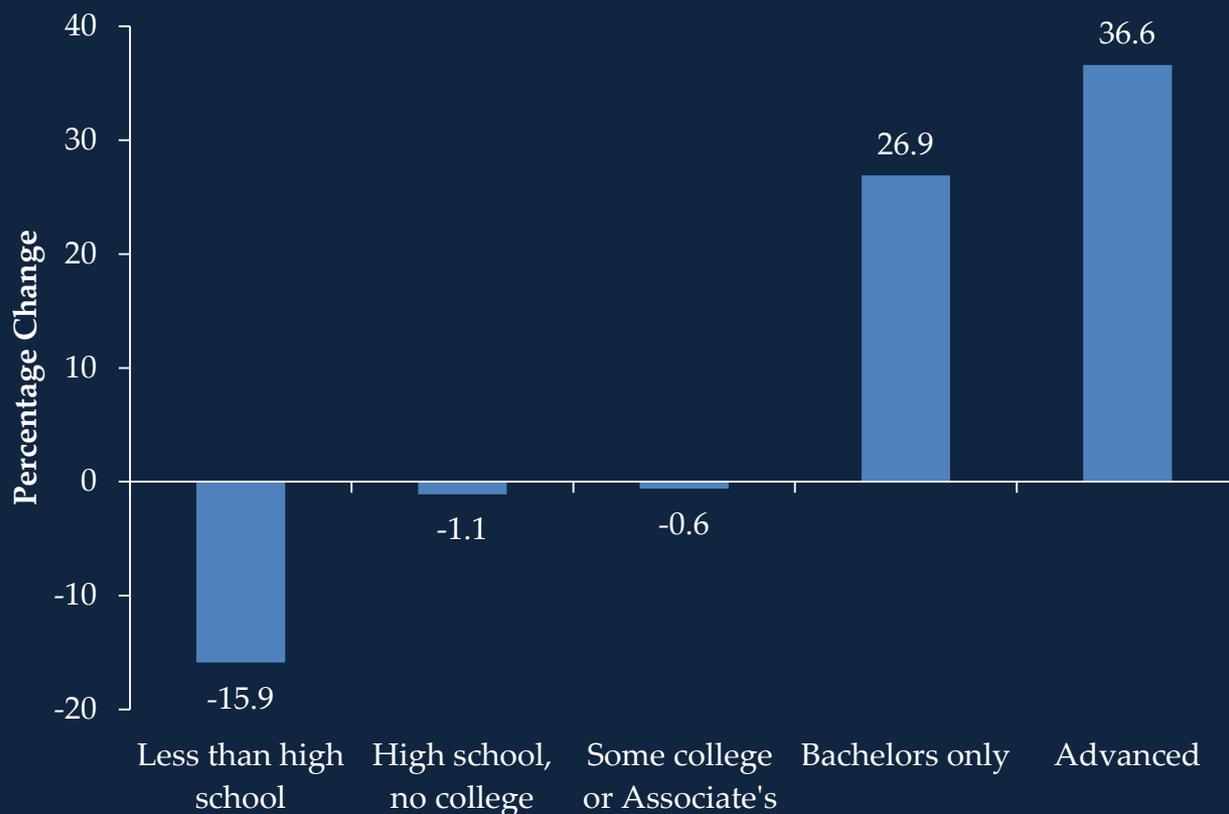
Median Earnings, Full-Time, Year Round Workers, 1960 - 2009 (inflation-adjusted)



Source: U.S. Bureau of the Census, p. 60-238. Income, Poverty and Health Insurance Coverage in the United States: 2009, p. 50, Table A-4.

Real Median Weekly Earnings by Educational Attainment*

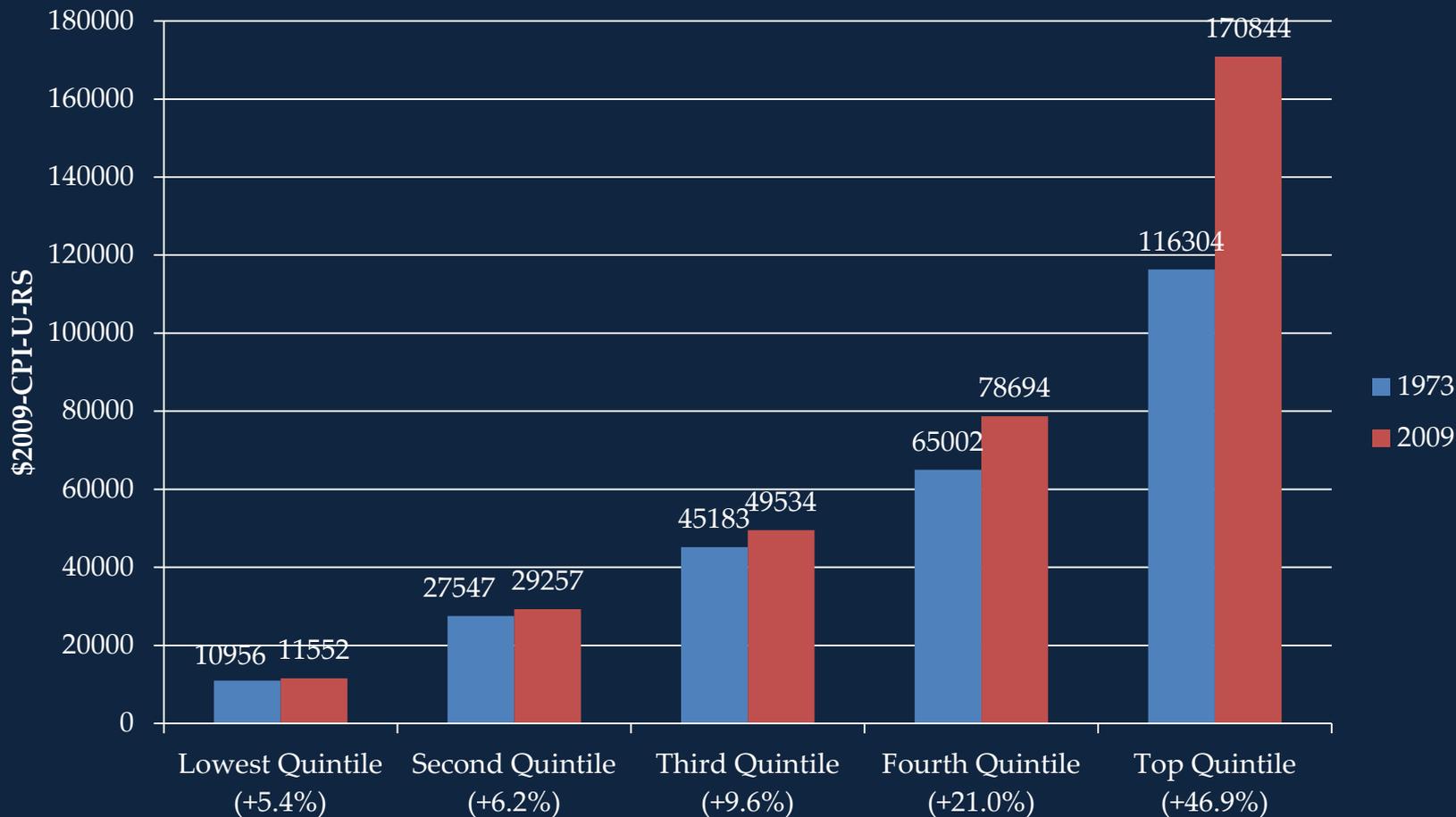
Percent change 1979 - 2010



Source: Census Bureau

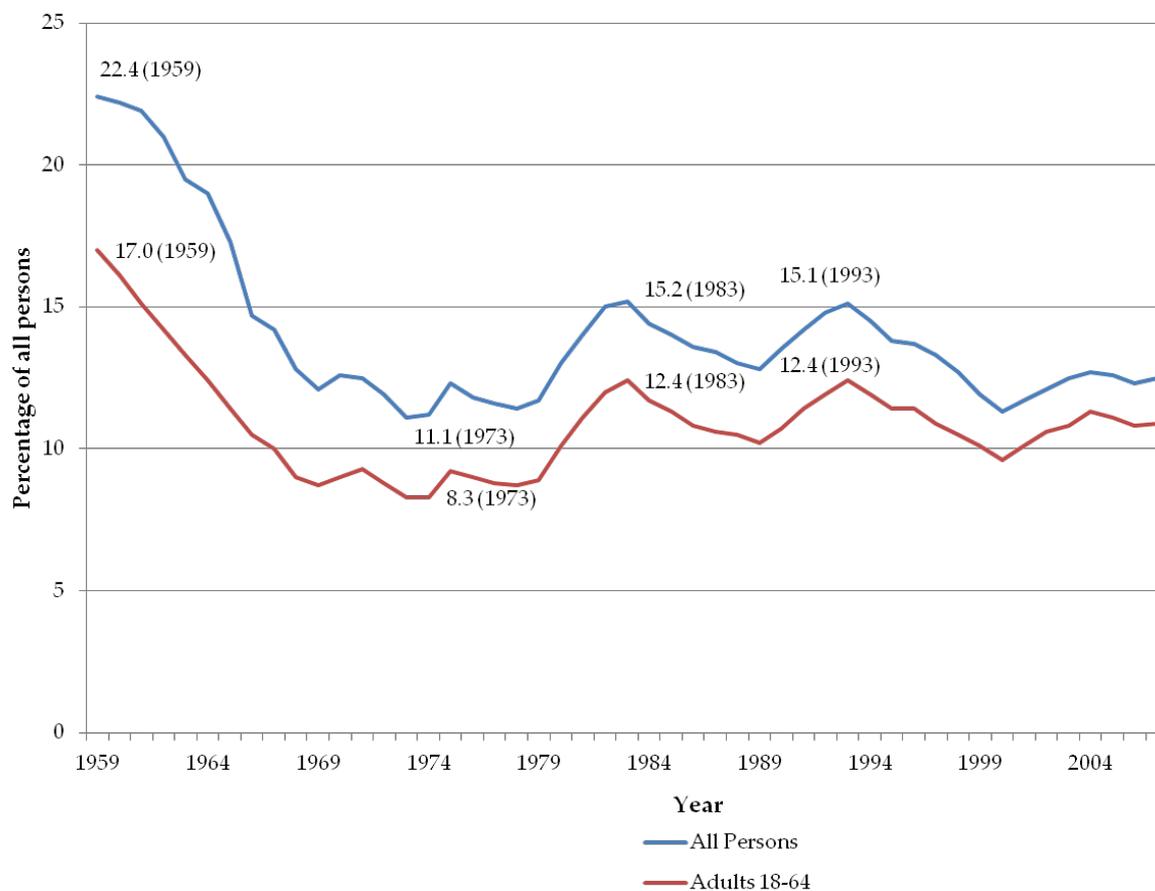
*For full time wage and salary workers, deflated by the PCE deflator

Mean Household Income by Quintile, 1973 and 2009



Note: Percentage change between 1973 and 2009 shown below each quintile

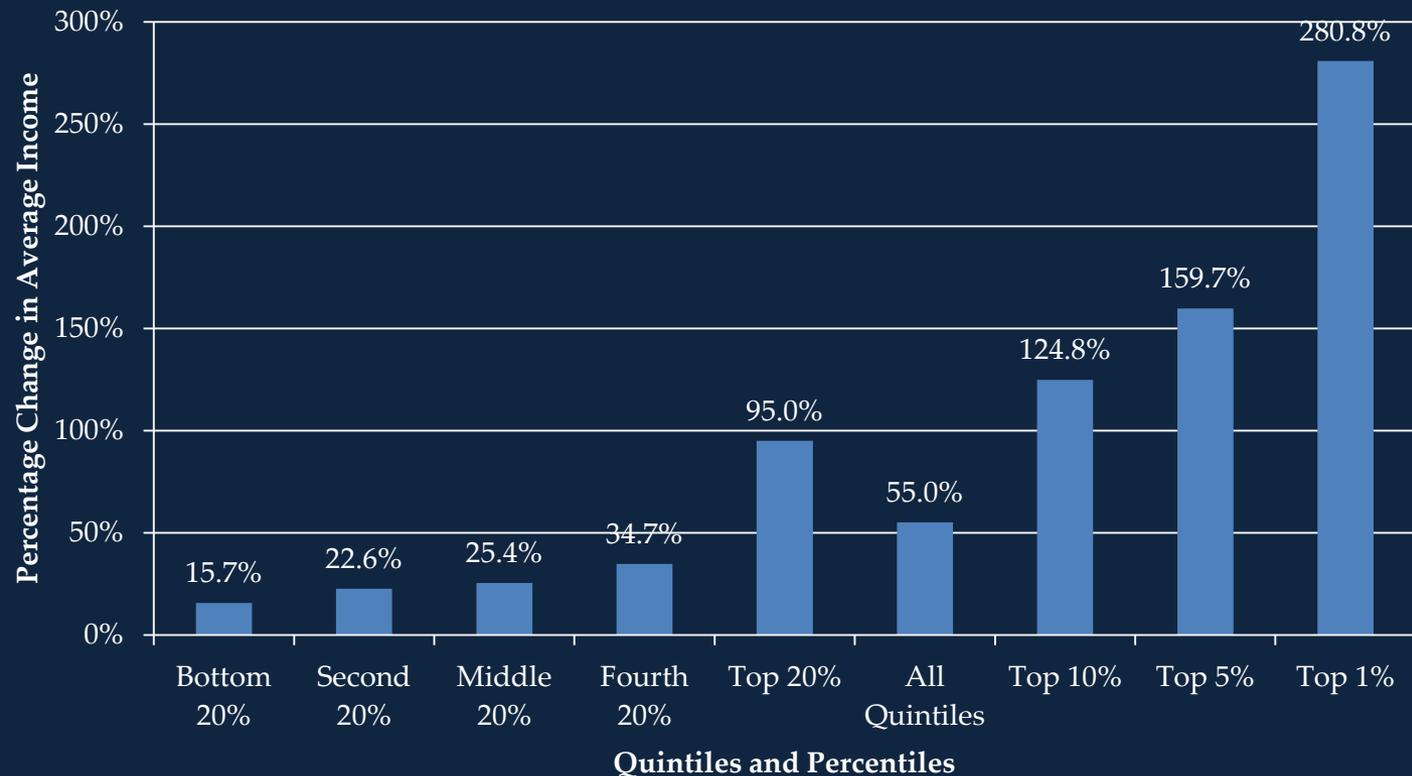
Official U.S. Poverty Rate, 1959 – 2007



Causes of Rising Inequality

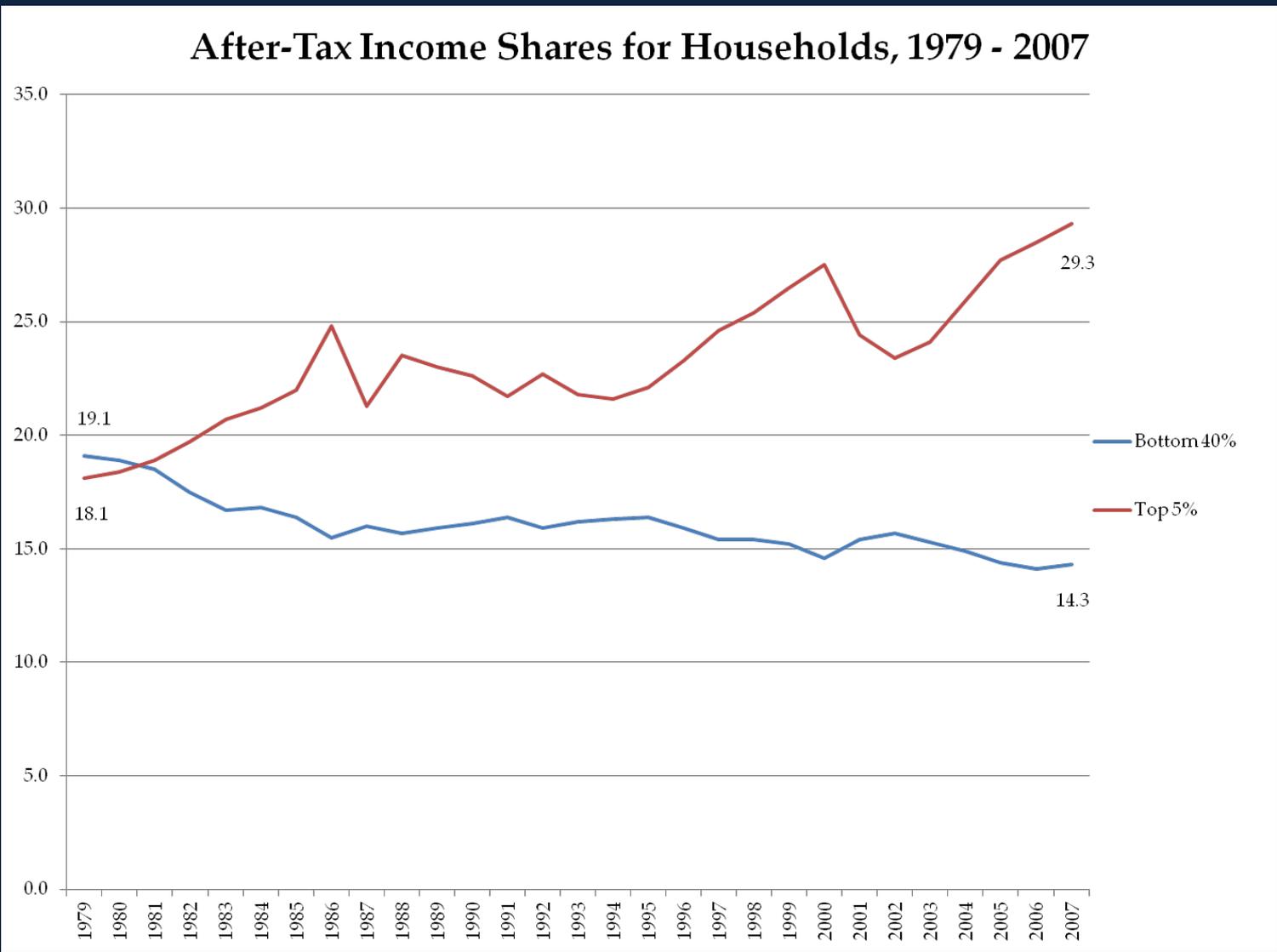
- Skill-biased technological changes
- Globalization of markets
- Decline in unionization
- Erosion of the minimum wage
- Declining progressivity of federal income tax
- Explosion of Executive Pay and the size of the financial sector

Percentage Change in Average After-Tax Household Income between 1979 and 2007 by Quintiles and Top Percentiles (Reported in 2007 \$)



Data Source: Congressional Budget Office. June 2010. Distribution of Federal Taxes: Average Federal Tax Rates and Income, by Income Category (1979-2007). [Available at <http://www.cbo.gov/publications>].

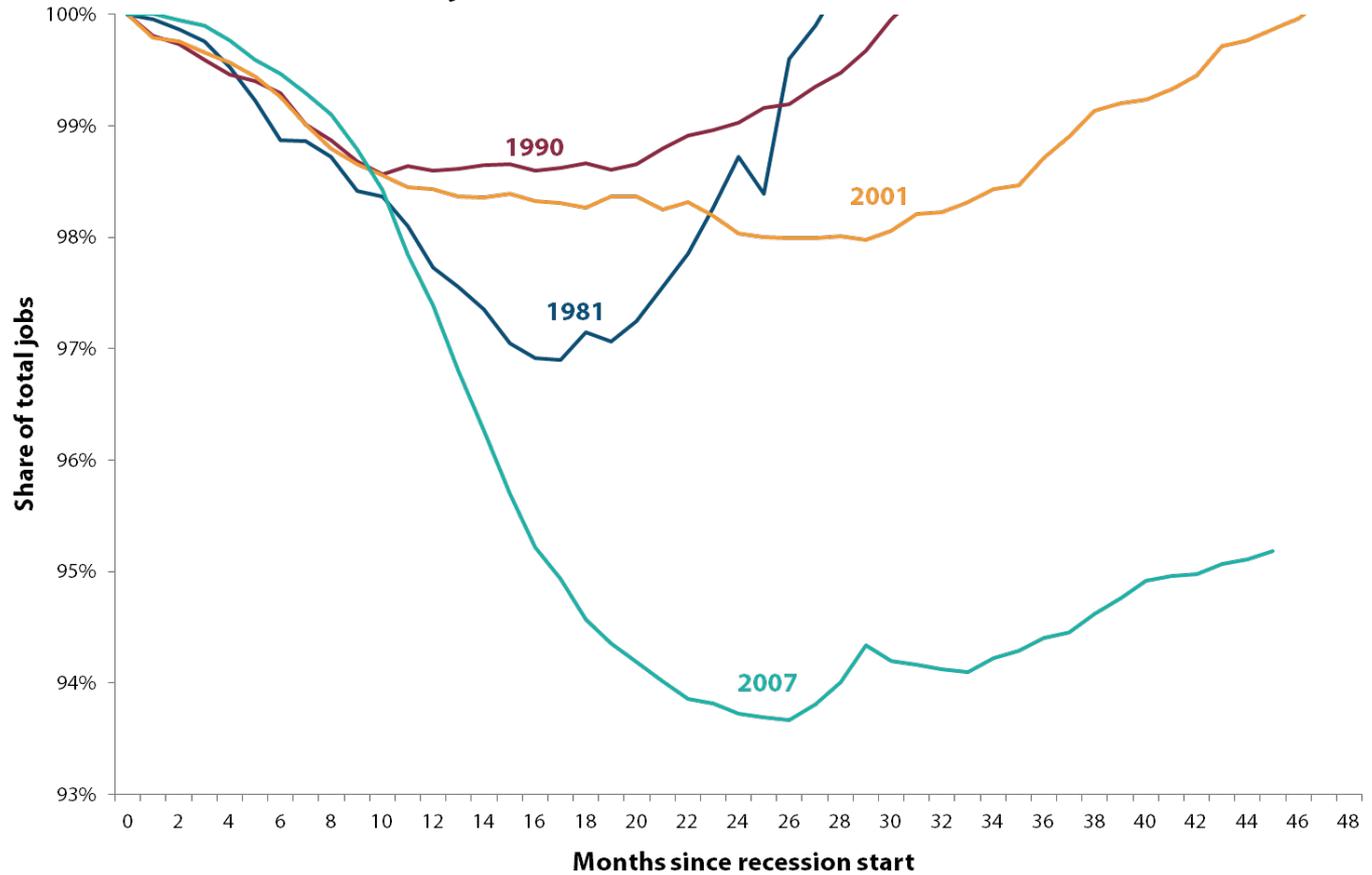
After-Tax Income Shares for Households, 1979 - 2007



The Great Recession

- Recession was long—from December 2007 through June 2009
- Recession was deep—about 6% of all jobs were lost
- Labor Market Crisis
- Financial Crisis
- Housing Market Crisis

Indexed Job Loss for Four Prior Recessions



SOURCE: Economic Policy Institute analysis of Bureau of Labor Statistics Data.

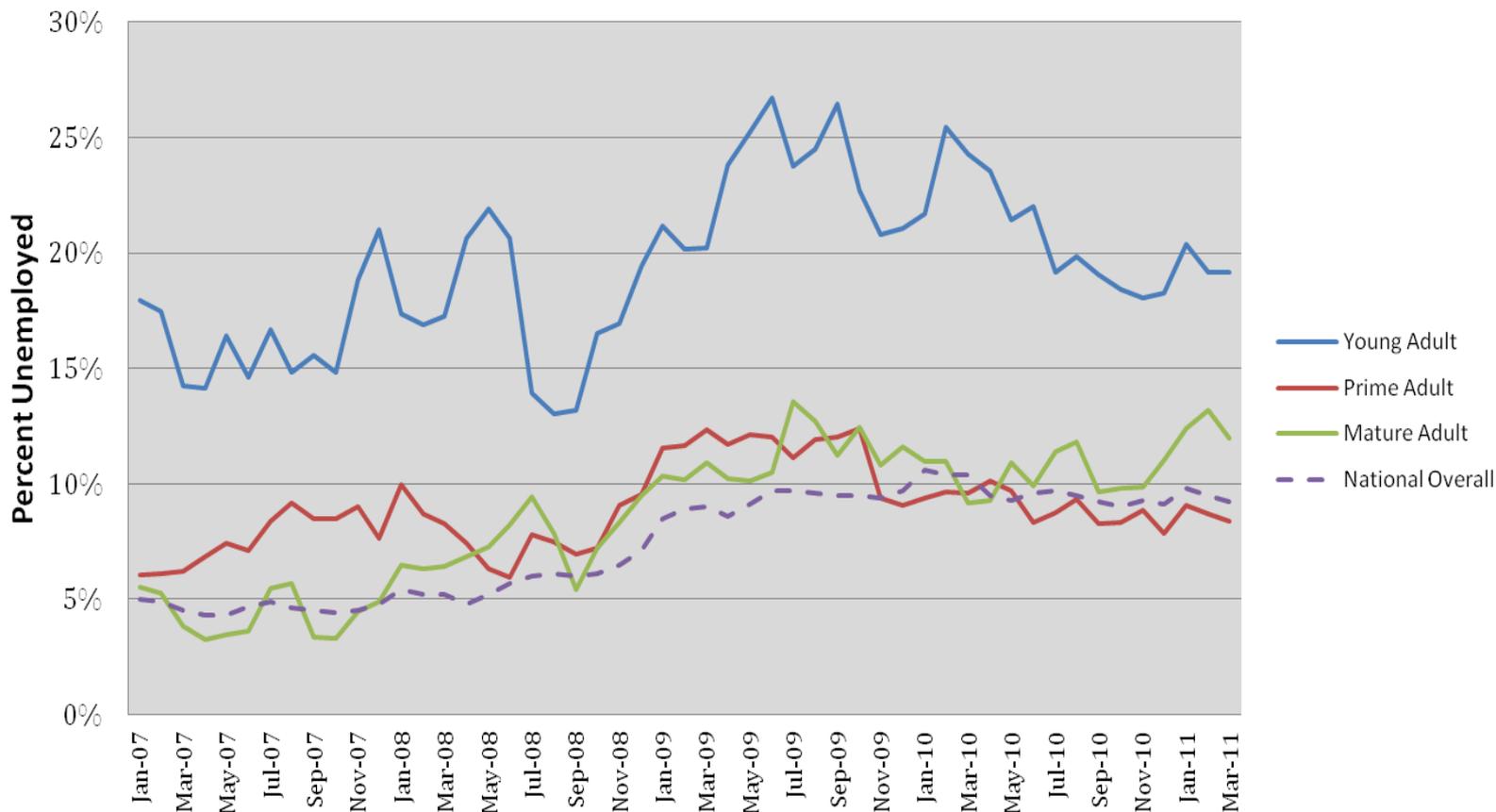
Michigan Recession & Recovery Study Domains

Employment & Unemployment	Education & Training	Income Sources	Loans	Demographics
Health Insurance	Wealth, Debt, & Bankruptcy	Program Participation	Bank Accounts	Credit Cards
Mental Health & Substance Abuse	Social Support	Housing	Relationships	Marital Status
Health & Disability	Religion	Parenting	Material Hardships	Mortgages, Evictions, & Foreclosures

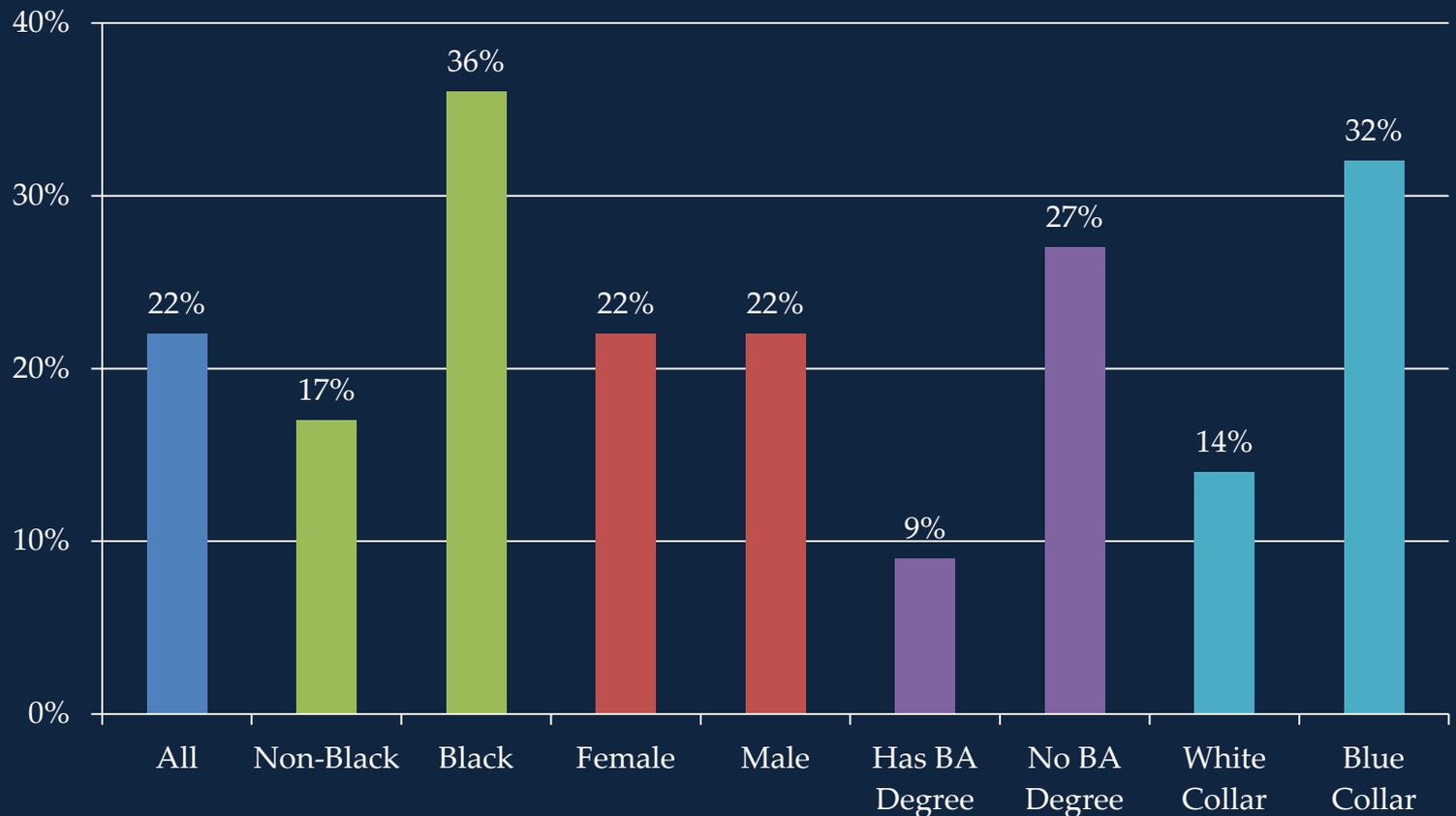
Michigan Recession & Recovery Study (3 county Detroit Metro Area)

- Covers from Jan. 2007-March 2011
- 41% of all respondents were unemployed in at least one month
- 38% were employed in all months
- 23% were behind on rent or mortgage or in foreclosure
- 13% had been evicted, homeless or moved in with others

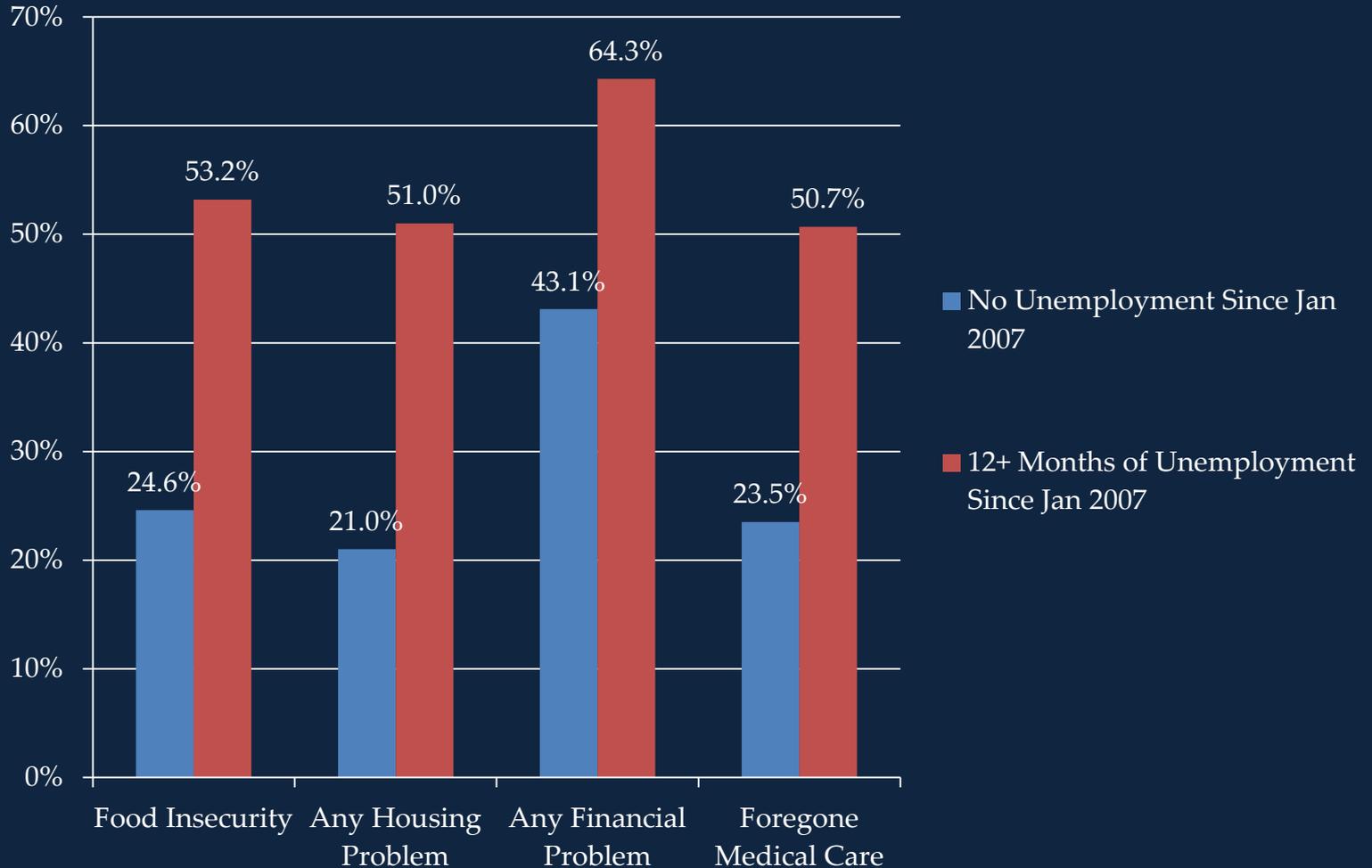
Unemployment Rate by Age Cohorts (Not Seasonally Adjusted)



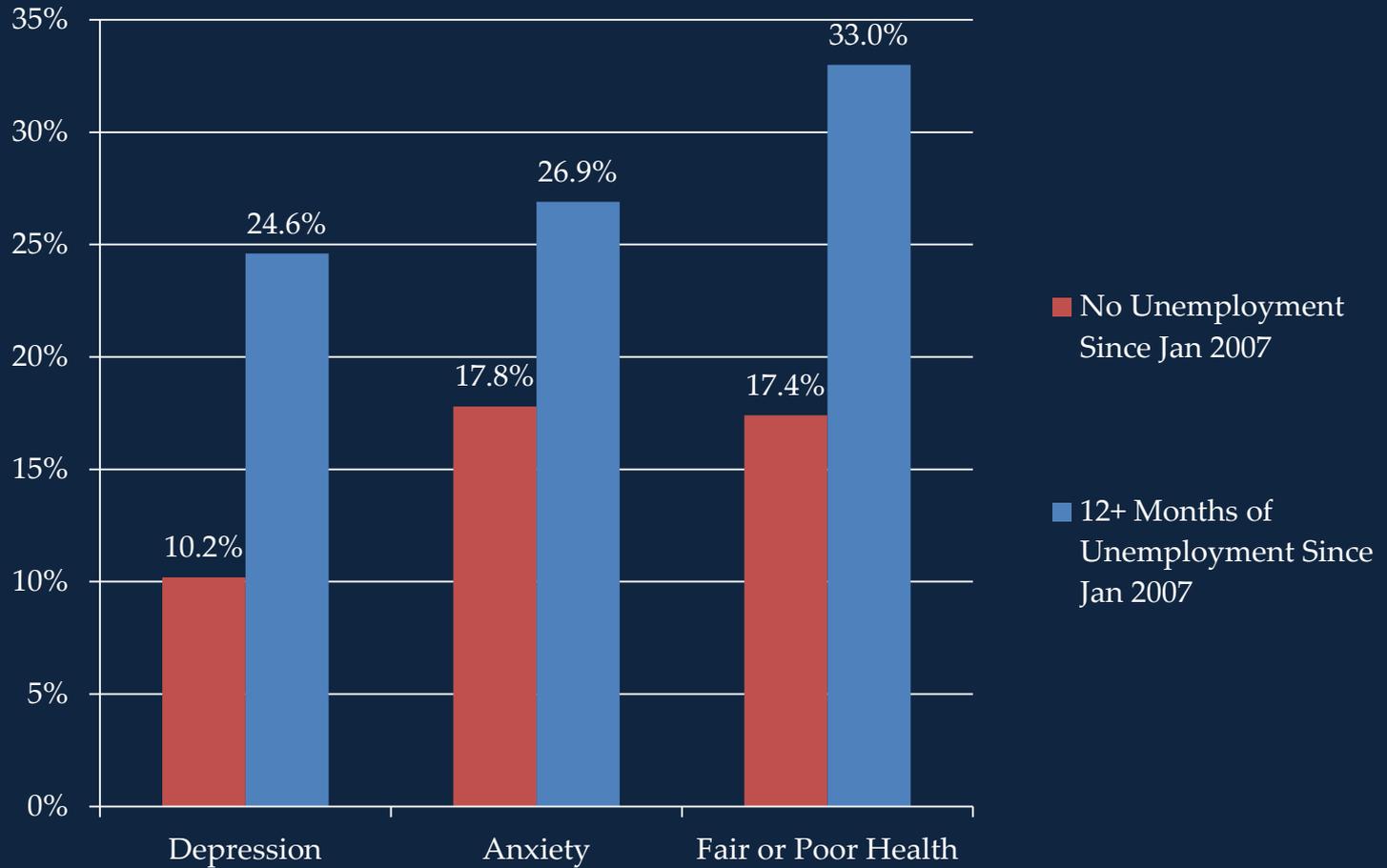
Detroit Area Residents Experiencing 12+ Months of Unemployment, January 2007 – March 2011, Ages 25 - 54



Experience of Hardship by Unemployment



Experience of Health and Mental Health by Unemployment

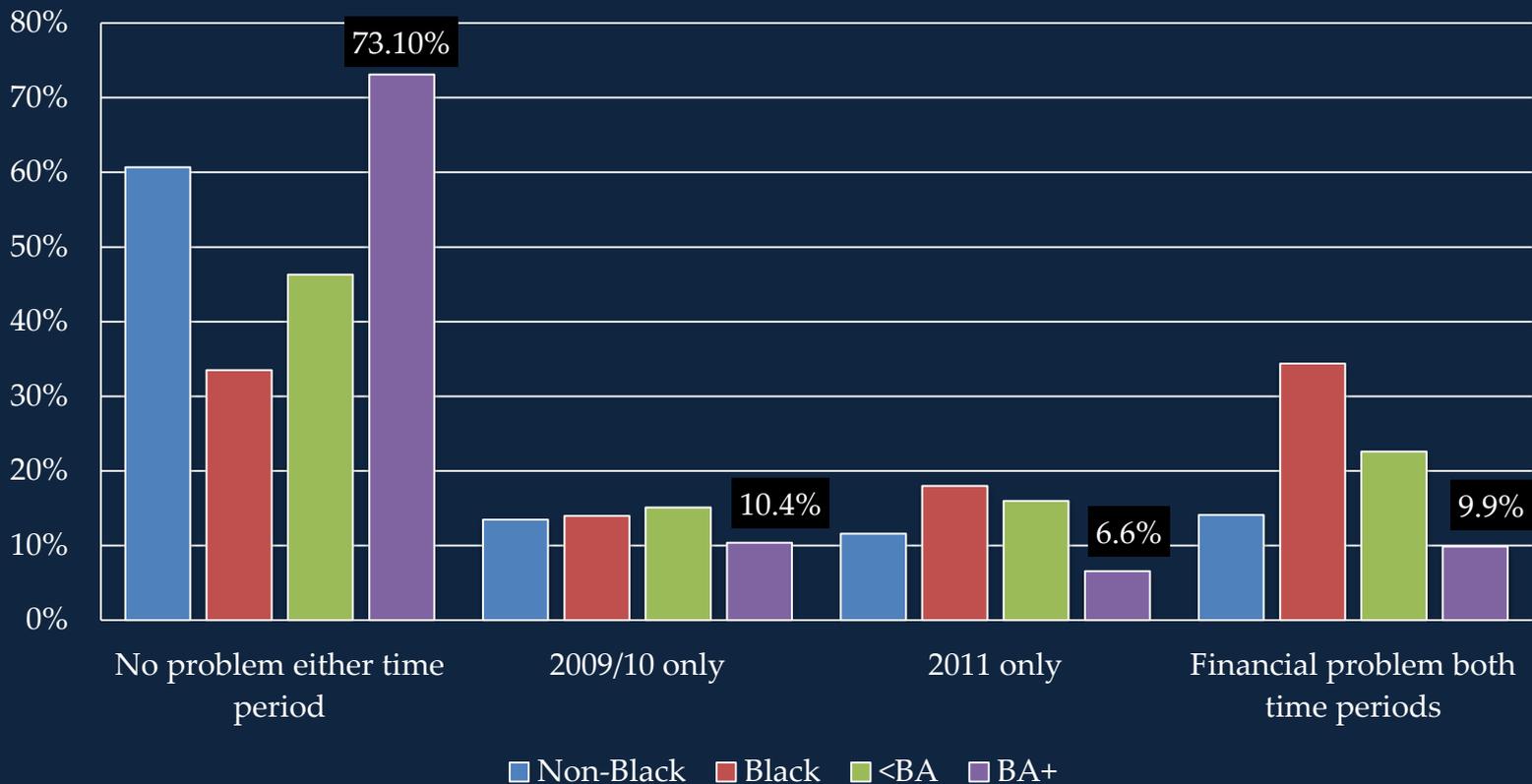


Employment Problems in 2011

	Overall	Non-Black	Black	< BA	BA+
Employed in 2011:					
No Employment Problems since Jan 2007	26.4%	30.0%	13.3%	20.6%	38.8%
Any Unemployment since Jan 2007	21.8%	21.5%	22.6%	23.2%	18.5%
Any Employment Problems, but no unemployment	18.1%	19.9%	12.9%	16.6%	22.3%
Unemployed in 2011:					
<12 Mo. Unemployment	7.1%	6.8%	8.1%	8.8%	3.2%
12+ Mo. of Unemployment since Jan 2007	9.3%	6.7%	18.0%	11.7%	3.7%
Not in the Labor Force in 2011	17.4%	15.1%	25.2%	19.1%	13.5%

Note: Employment problems include unemployment, layoffs, wage reductions, and furloughs.

Financial Problems Relatively Common, Even for Well-Educated

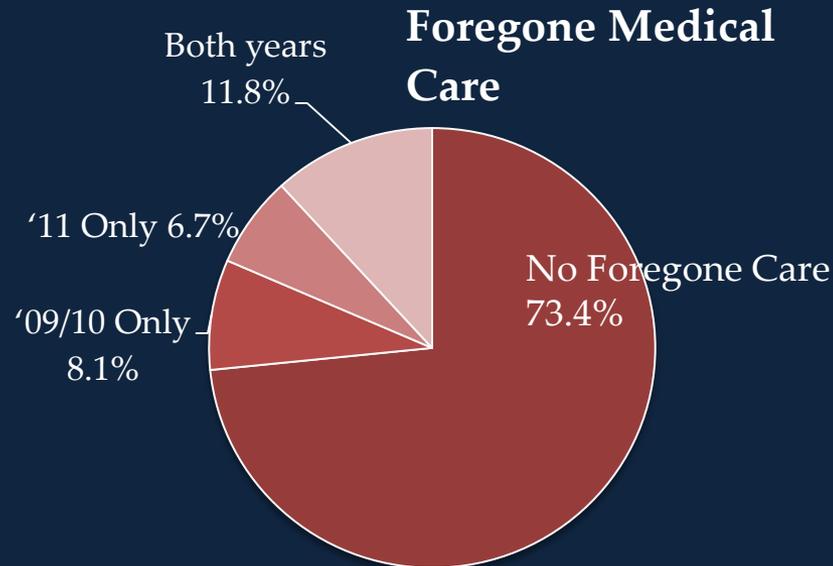
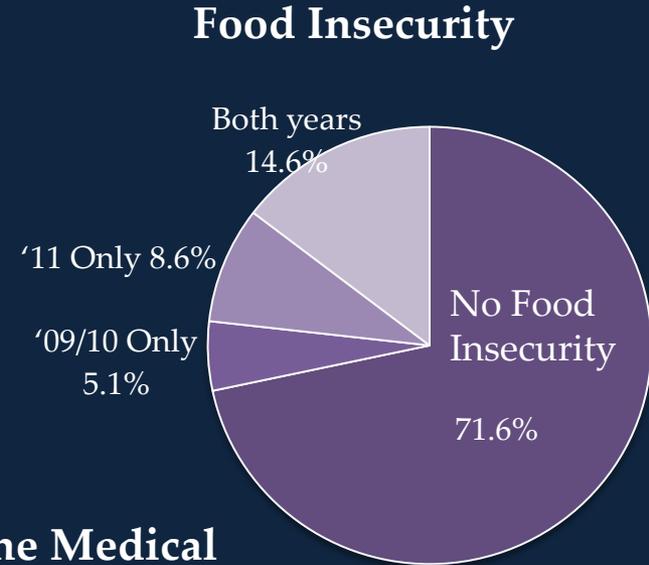
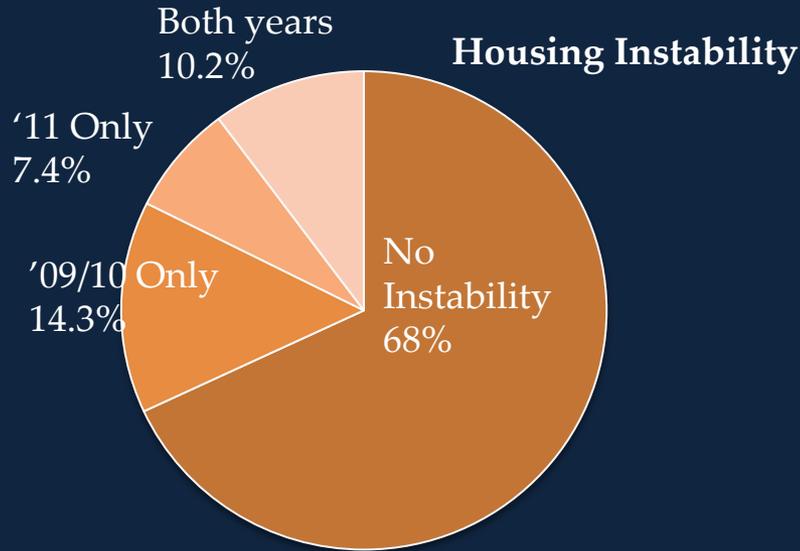


Note: Financial problems include recently behind on utility bills, recently using a payday loan, recently having a credit card cancelled, and recently going through bankruptcy.

Housing Problems & Other Material Hardships

- Unstable housing
 - Recently behind on rent
 - Recently behind on mortgage payments or in the foreclosure process
 - Move for cost reasons recently
 - Moved in with others to share expenses recently
 - Evicted recently
 - Experienced homelessness recently
- Food insecurity
- Forgoing medical care

Housing & Other Hardships



Analysis of benefit receipt

Sample restricted to households with annual household income for year prior survey below 200% of federal poverty threshold

Public benefit receipt either at interview or in the past 12 months: TANF, SNAP, SSDI, SSI, UI, EITC, Medicaid or other public insurance, housing

Private charity: Self-reported receipt of food or shelter assistance in the past 12 months.

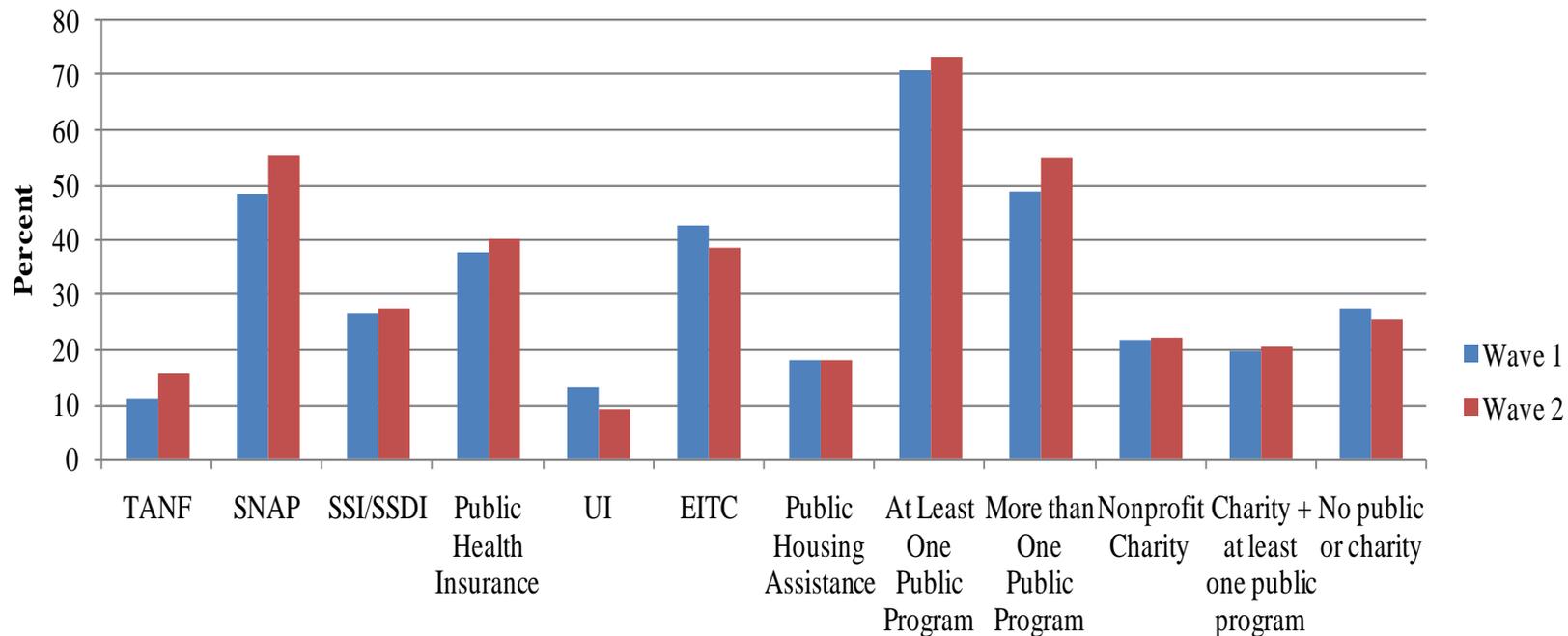
Proportion of Households with Income < 200% of FPL

	Wave 1	Wave 2
All respondents	28.4%	30.0%
Blacks	56.2%	63.5%
No College Degree	40.2%	42.5%

Public Benefit Receipt of Low-Income Households

Figure 1

Receipt of Public Assistance & Nonprofit Charity Over Time by Households at or below 200% of the Federal Poverty Level



NOTE: Data from the Michigan Recession & Recovery Study. N = 847 in each wave. Percentages weighted with household weights. Changes in percentage use between Wave 1 and Wave 2 are not significant at the $p < .05$ level.

Number of Public Benefits

Poisson Regression Results	Coefficient	Standard Error	Unweighted N	Weighted Means
Race - Black	.247**	(.085)	557	.521
Household with Children	.456**	(.079)	408	.485
Ages 19 - 24	-.240	(.164)	111	.168
Ages 25 - 34	-.113	(.084)	198	.219
Ages 35 - 44	-.106	(.110)	145	.187
Married	-.071	(.101)	142	.235
Less than high school	.427**	(.139)	210	.258
High school but no BA	.340**	(.137)	454	.608
Unemployed 1 - 6 mos.	.178	(.091)	105	.137
Unemployed 7 - 12 mos.	.219*	(.092)	209	.252
Not in the labor force	.465**	(.116)	120	.144
Has health limitations	.301**	(.069)	258	.311
Below the poverty line	.215**	(.044)	461	.514
Foreign born	-.188	(.318)	21	.065
Experienced financial hardship	.164**	(.057)	392	.461
Food insecure	-.046	(.076)	345	.410
Religious attendance	-.017	(.046)	313	.414
Owns/leases a car	.043	(.065)	389	.599
Was/is a union member	.071	(.065)	222	.257
Poverty rate in tract	.790**	(.276)	--	.160
Wave	-.030	(.044)	--	.491
Used charity	.210**	(.039)	224	.212

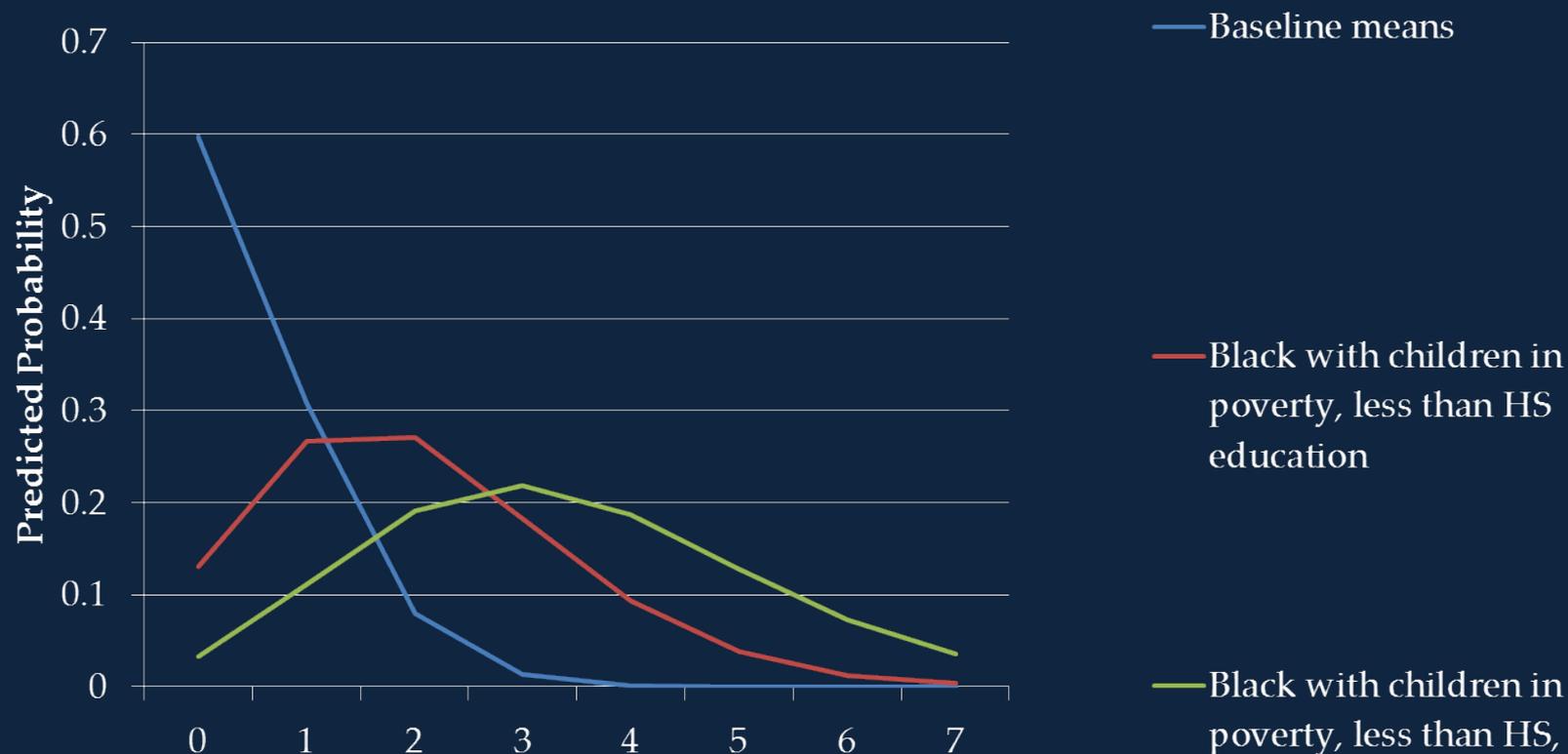
Source: MRRS and American Community Survey

www.fordschool.umich.edu

Public Benefit Findings

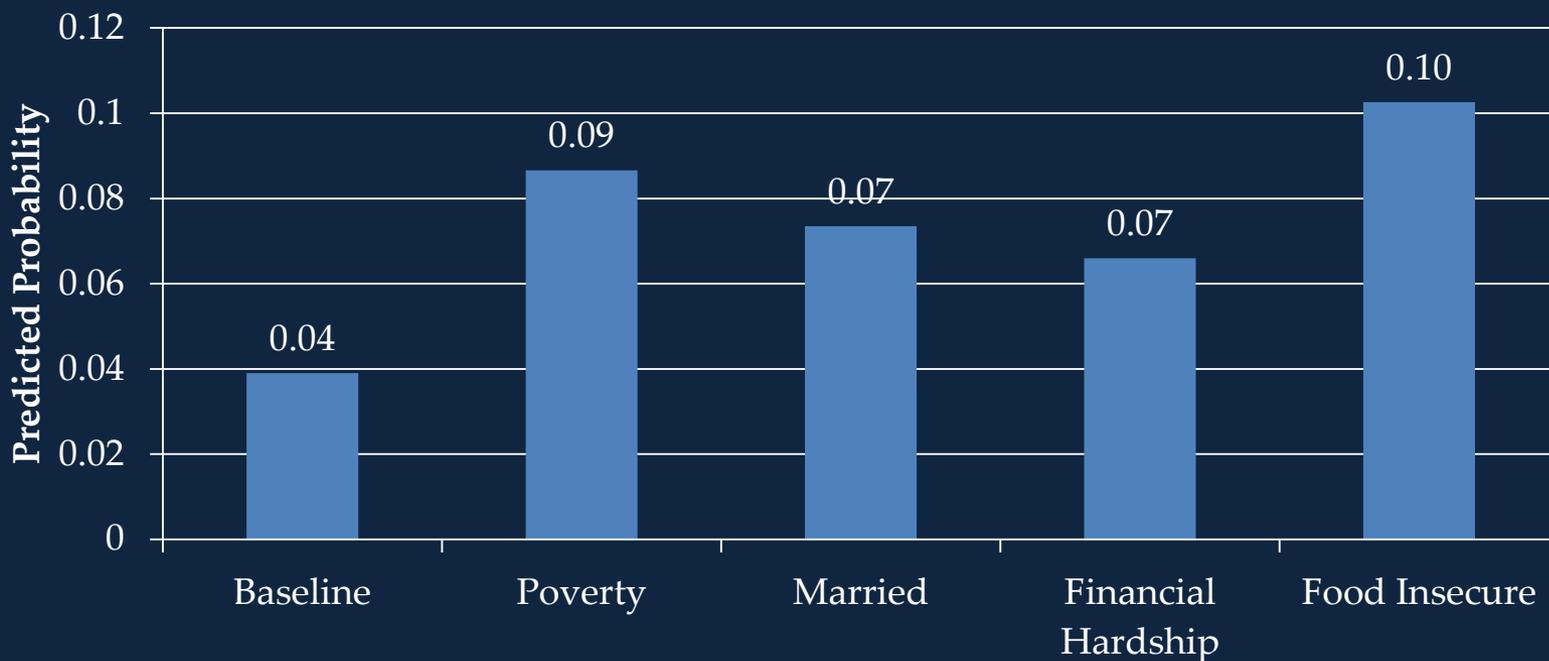
- Black respondents, HH with children, and low educational attainment are more likely to participate in a larger number of public programs
- Economic hardship is positively related to greater participation: any unemployment in previous 12 months; not in the labor force for previous 12 months; those with mix of employment and unemployment.
- Poverty status of household & poverty rate in census tract, presence of health limitations, financial hardships, & charity receipt, are positively related to greater levels of public assistance program receipt.

Predicted Probabilities, # Benefits



Note: The baseline case assumes a non-black household without children, not in poverty, with education beyond high school, not experiencing any period of unemployment, and with no health limitations present. Source: MRRS and American Community Survey.

Predicted Charity Use



Note: The baseline case assumes a household not in poverty, not married, not experiencing financial hardship, and not experiencing food insecurity. All other measures are set to their means.

Source: Michigan Recession and Recovery Study and the American Community Survey.

Descriptive Statistics: Job Search

	Not Working at Interview		Working at Interview	
	Wave 1	Wave 2	Wave 1	Wave 2
Looking for a job (now or in the past 30 days)	0.538	0.488	0.236	0.237
# Applications	7.549	4.995	1.753	3.529
.	(19.859)	(13.799)	(8.592)	(11.125)
New job/re-employed at wave 2	0.475	.	.	.
Receiving UI (at IW)	0.217	0.184	.	.
Retired	0.073	0.134	.	.
Disabled	0.163	0.152	.	.
Homemaker	0.124	0.157	.	.
Student	0.051	0.056	.	.
Same employer	.	.	0.682	.
New employer	.	.	0.184	.
Unemployed	.	.	0.134	.
Likely lose job	.	.	0.041	0.042
Temporary job	.	.	0.043	0.074
Insured by employer	.	.	0.598	0.604
Reservation wage<actual wage	0.551	0.52	0.429	0.574

Not Working at Interview – Employed at Wave 2

Looking for a job now (or in the past 30 days)	0.121 (0.081)
·	
Receiving UI (at IW)	-0.078 (0.067)
·	
Retired	-0.356** (0.103)
·	
Disabled	-0.354** (0.085)
·	
Homemaker	-0.085 (0.091)
·	
Student	-0.228** (0.097)
·	
Reservation wage < actual wage	0.008 (0.062)
·	
Monthly earnings (1K)	0.012 (0.020)
·	
Auto industry experience	0.086 (0.063)
·	
Four year degree	0.278** (0.066)
·	

** $p < .05$; * $p < .10$

Working at Wave 1 – New Employer at Wave 2

Looking for a job (now or in the past 30 days)	0.166**
·	(0.057)
Likely lose job	0.065
·	(0.076)
Temporary job	-0.021
·	(0.076)
Insured by employer	-0.123**
·	(0.053)
Reservation wage < actual wage	-0.065
·	(0.042)
Monthly earnings (1K)	0.020**
·	(0.008)
Auto industry experience	-0.130**
·	(0.041)
Four year degree	-0.039
·	(0.047)
Received SNAP	-0.019
·	(0.051)

** $p < .05$; * $p < .10$

MRRS summary

- Experiencing one or more hardships in the wake of the recession is common:
 - Only 20.5% avoided any problems
- Traditionally more disadvantaged groups are more likely to experience problems and are more likely to experience multiple problems
 - African Americans
 - Those without a college degree
- But, advantaged groups not immune from problems

The American Reinvestment and Recovery Act, February 2009

- Economically successful, but too small in hindsight
- Kept recession from being more severe and poverty from being even higher
- Poorly explained by the administration
- Misreported by the media
- Became a political failure that fed Deficit Mania

ARRA Income Support Expansions

- Massive expansion of Unemployment Insurance benefits
- Increased Food Stamp benefits
- New TANF Emergency Jobs Program
- New Make Work Pay Tax Credit
- Expanded EITC
- Expanded Per Child Tax Credit

ARRA Human Capital Investments

- Expanded Head Start/Early Head Start
- Child Care Development Block Grant
- American Opportunity Tax Credit
- Pell Grant Expansion

Economists on the both the right and the left agree that the stimulus worked

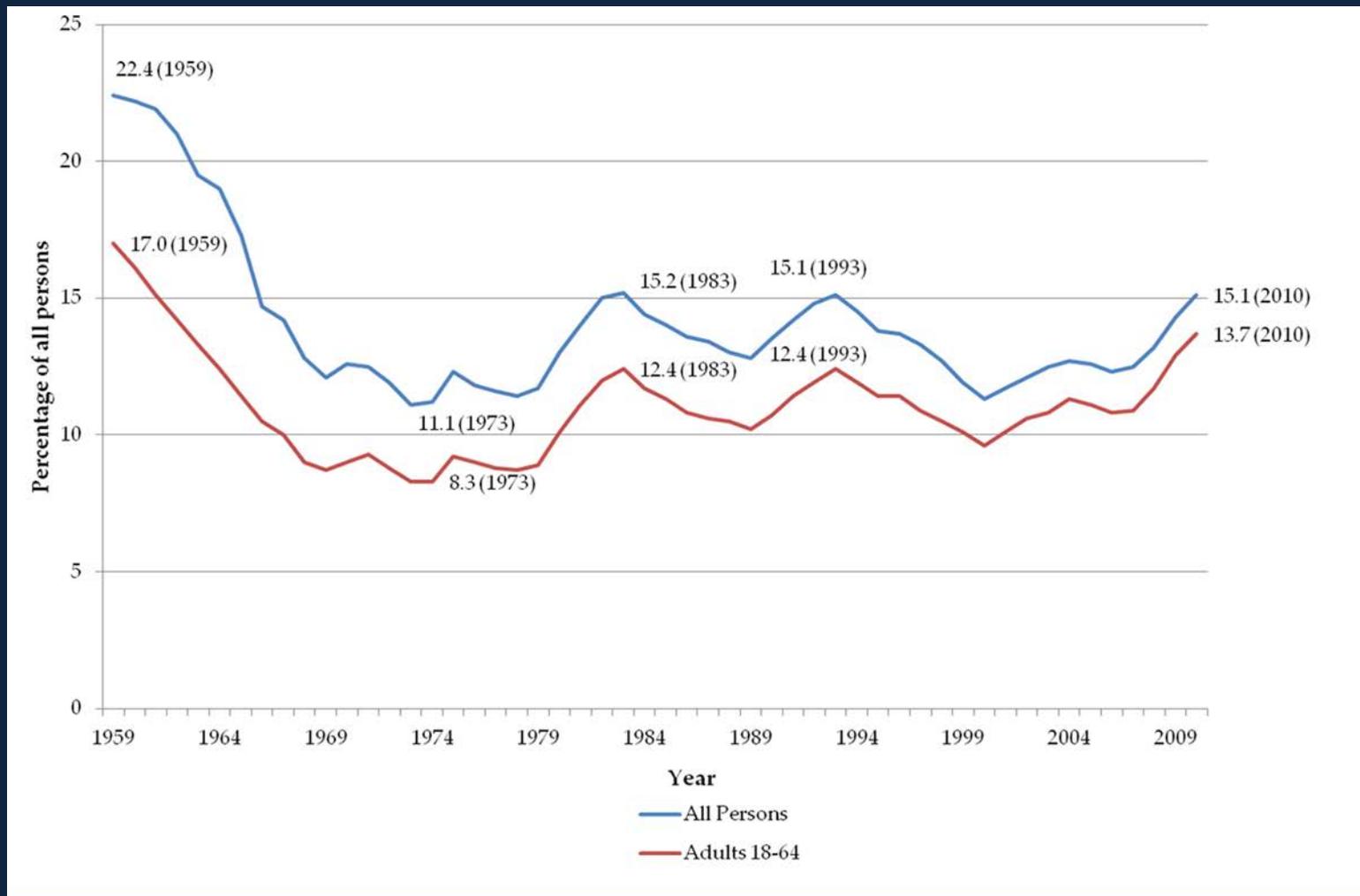
The combination of increased federal purchases and benefits raised output and income...Stimulus worked in the sense that the recession would have been substantially worse without the stimulus.... *Robert Hall. Stanford, Fall 2010, Daedalus*

...fiscal policy sits idle, paralyzed by extreme partisanship, tarred by a successful public relations campaign against the 2009 stimulus bill and consumed by fears of large budget deficits. Our real deficit problem...lies in the future, not the present. *Alan Blinder, Princeton, Oct. 25, 2010, Wall St. Journal*

Slow Recovery from the Great Recession

- ARRA kept recession from being deeper and lasting longer
- Safety net spending on low-income families increased dramatically
- Sept 2012 unemployment rate of 7.8% same as Jan 2009 rate-43 mos. above 8%
- 2011 poverty rate of 15%

Official U.S. Poverty Rate, 1959 - 2010

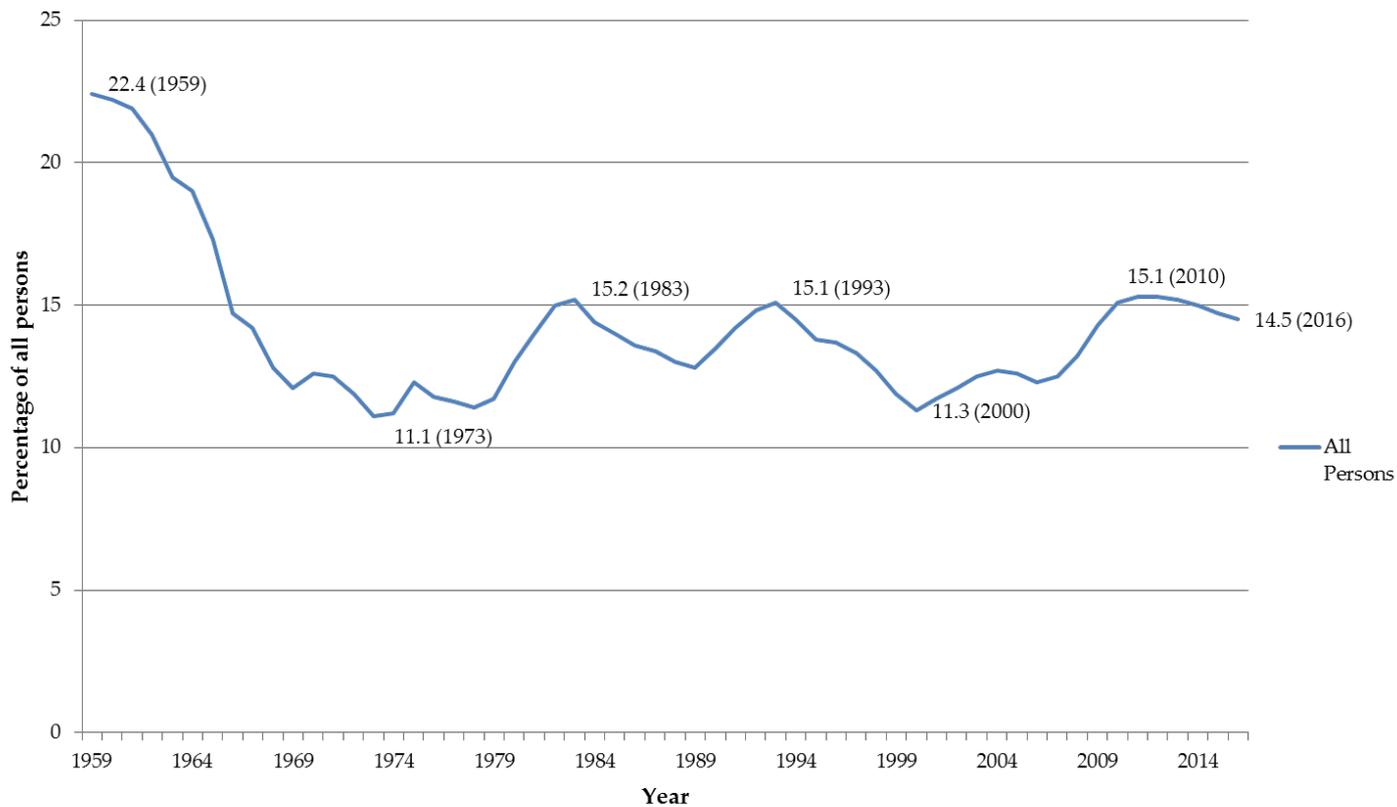


Source: U.S. Census Bureau
Retrieved from www.census.gov

Current Economic Climate

- Unemployment remains high—could take 8 more years to replace all jobs lost
- Real wage growth for less-educated workers is unlikely
- Income & wealth inequalities at highest levels since the 1920s
- States are cutting social programs and public sector jobs
- Deficit Mania threatens safety net as we know it

Poverty Rate, All Persons, 1959-2010, with Projections to 2016



Note: The official poverty line for a two-adult, two-child family was \$21,756 in 2009. Projections for 2010-20 are from Monea and Sawhill, Brookings Institution, Sept. 13, 2011

Emphasize Mutual Responsibility

- Structural labor market changes keep poverty and unemployment high so if poor have responsibility to work they need public support in finding jobs and in supplementing low wages
- Government can effectively reduce poverty
- Modest tax increases won't destroy the market economy

Policy Recommendations – Adults

- Make permanent ARRA's Food Stamp and Unemployment Insurance changes
- Establish a subsidized jobs program for long-term unemployed
- Expand EITC for childless low-wage workers
- Let all Bush tax cuts expire, then focus on tax reductions for those below \$100K

Responses to Safety Net's Critics

- Labor market changes, not failure to take available jobs, are primary reason poverty and unemployment remain high
- Safety net programs reduce poverty without large distortions in work and family choices
- Modest tax increases reduce poverty and inequality without disrupting the market economy