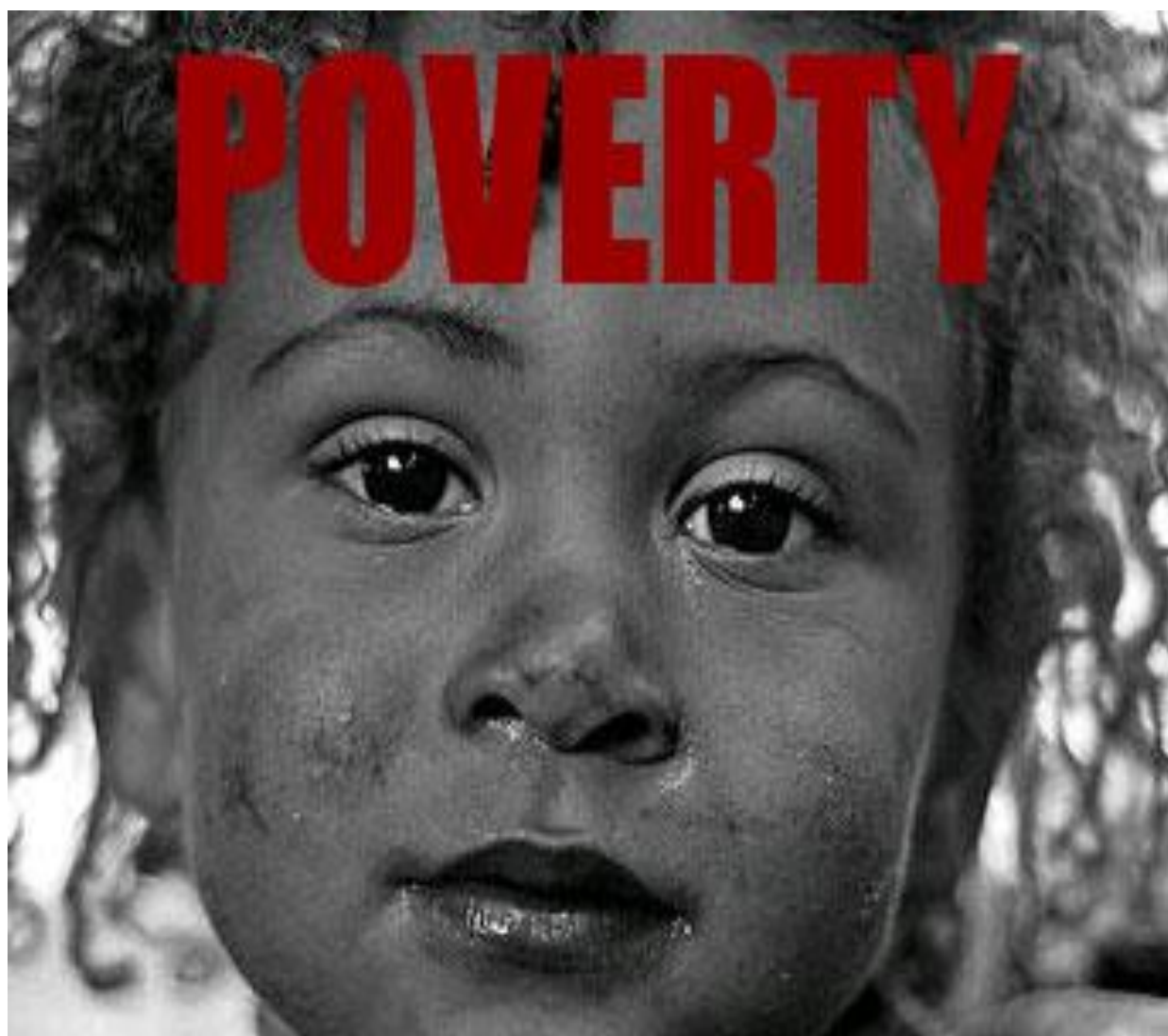


# **Addressing Poverty & Inequality Across the American Lifespan**

**Michael Reisch, Ph.D.**

**Pikesville Library Lecture Series**

**March 11, 2015**



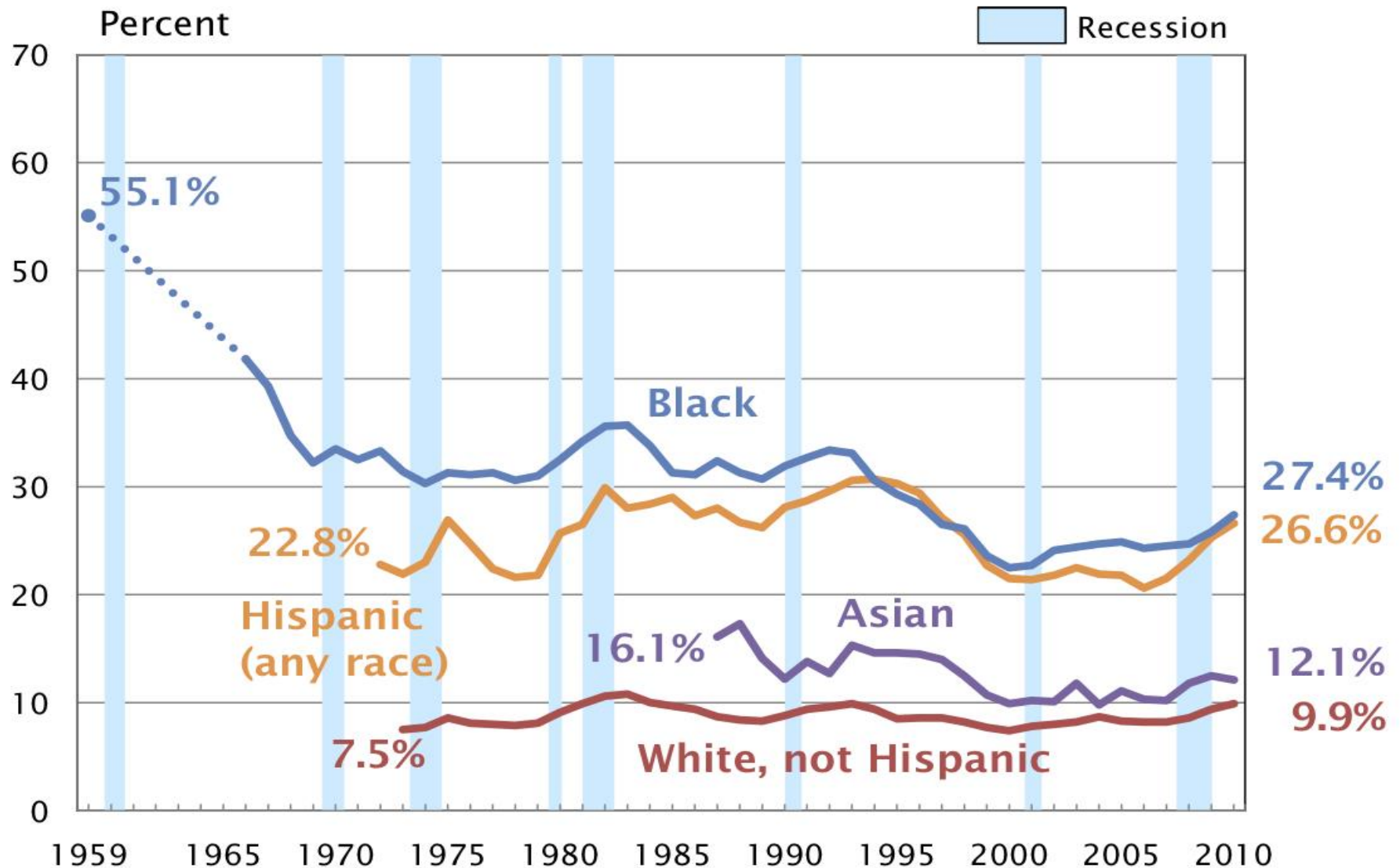
# **What Does it Mean to be Poor?**

- 1. Lack of goods & services essential to individual/family well-being.**
- 2. Lack of basic minimums (e.g., caloric intake) needed for human survival.**
- 3. Falling below a defined standard of decency.**

# How We Measure Poverty in the U.S.

- Snapshot of reported income
- We do not measure wealth, unreported income, or income fluctuations
- We ignore complexity & variety of human need
- We exclude the “near poor”
- We assume the ability to negotiate systems
- We do not assess the long-term impact of being poor or the likelihood of returning to poverty.

# Poverty Rates by Race and Hispanic Origin: 1959 to 2010



# Poverty in the U.S. Today

- **~16% of Americans are officially poor.**
- **African Americans & Latinos are 2 ½ times more likely. 10-12% live in “deep poverty”.**
- **4 million Americans, including ~3 million children, live in extreme poverty (\$2/day)**
- **Poverty in Baltimore is over 25%.**

# **Who is Most Likely to be Poor?**

- **People of color & female headed households**
- **Children & elderly women, especially of color**
- **People w/disabilities & chronic health or MH issues**
- **Immigrants & refugees, esp from developing nations**
- **Individuals with low levels of education**

**Key: Each factor increases likelihood of poverty**

# **Poverty Among Children & Women**

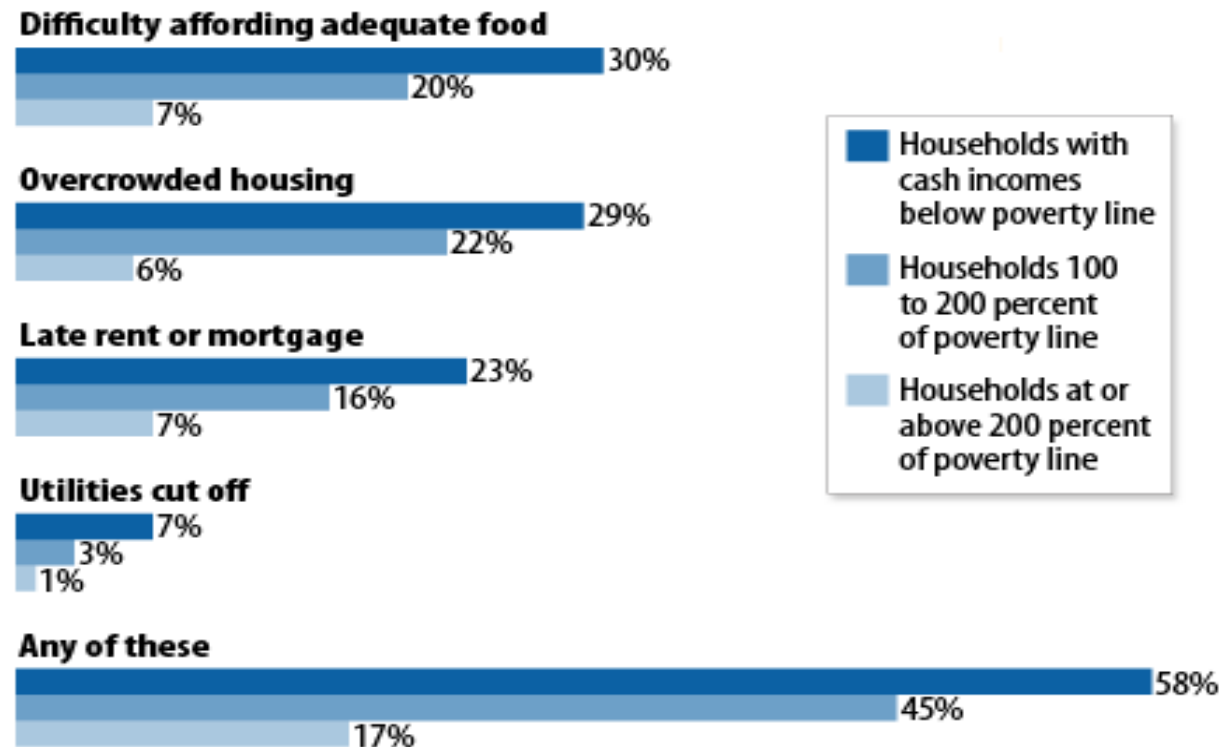
- ▣ Over 20% of American children & ~36% of African American children are poor**
- ▣ In Baltimore – 3 of 8 children/In DC – 43%**
- ▣ Poverty among female-headed houses is 3 times higher than in other Western nations**
- ▣ 1/3 of all young families are poor**



# Impact of Poverty on Children's Well-Being

## Hardship Rates Are High For Children in Poor and Near-Poor Households

Share of children in households in different income groups with selected conditions, 2011

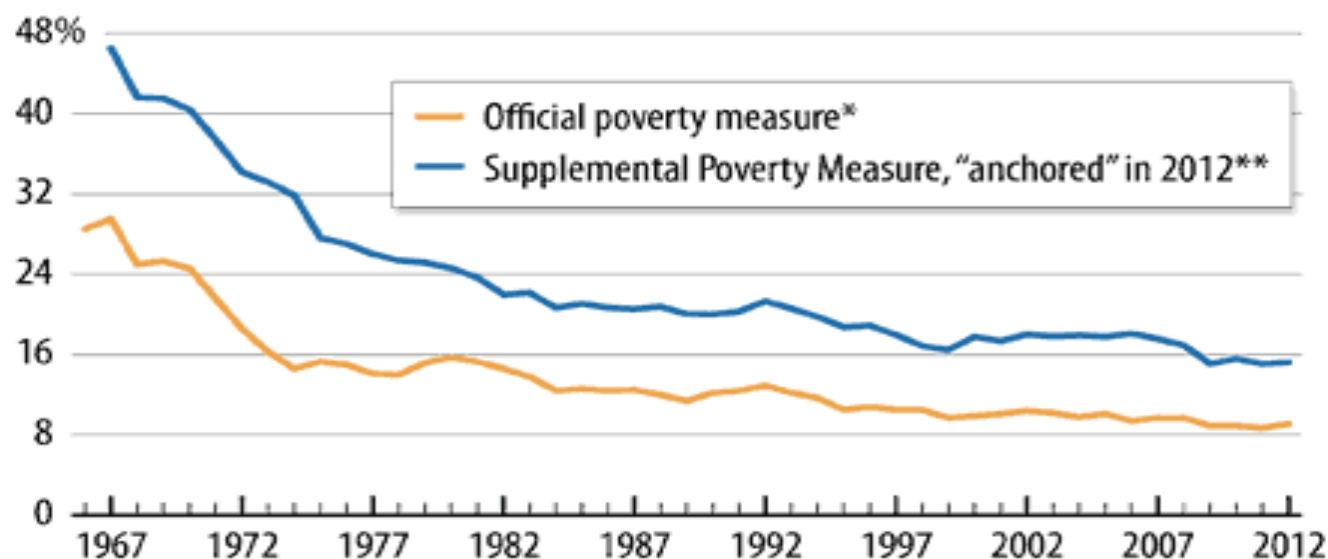


Source: CBPP analysis of 2008 SIPP Panel, waves 7-9 and Adult Well-Being Module

# Poverty among the Elderly

## Elderly Poverty Rate Has Fallen Substantially

Percent of people aged 65 and older living in poverty



\*Counts cash income only and uses the official poverty line

\*\*Counts cash income plus non-cash benefits, reflects the net impact of the tax system, subtracts certain expenses from income, and uses a poverty line based on today's cost of certain necessities adjusted back for inflation

Source: Christopher Wimer et al., "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, December 2013.

# **Yet – Elderly Women of Color Are Still Particularly Vulnerable**

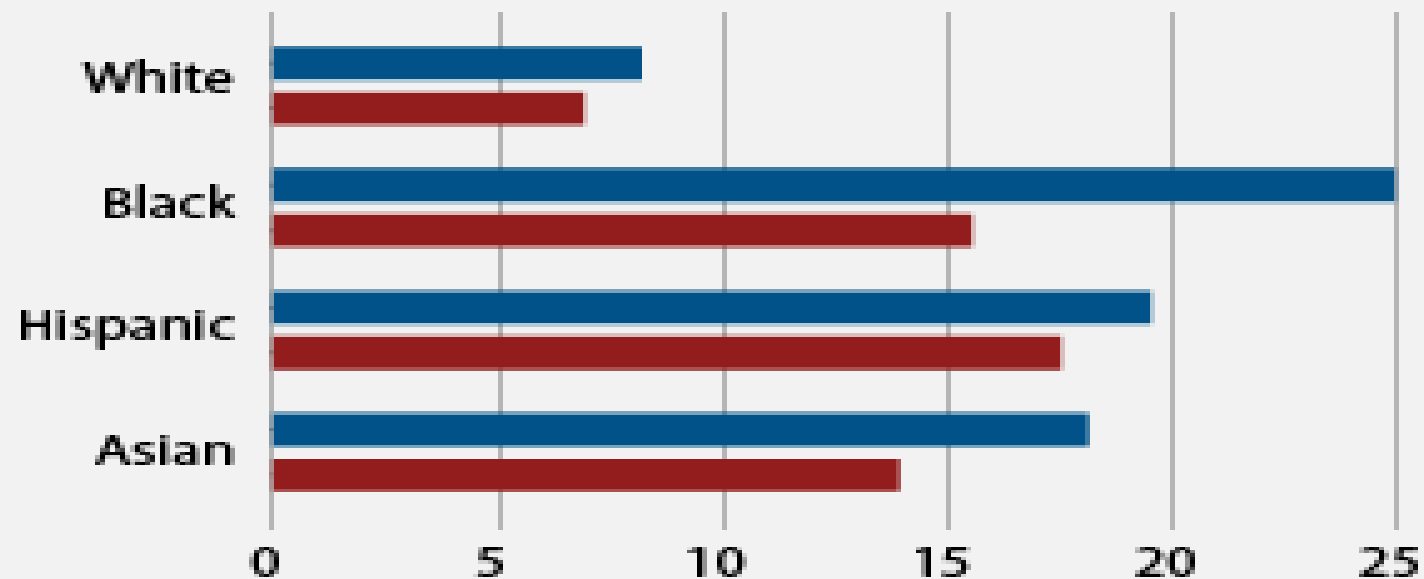


**FIGURE 1**

## Scraping by

Percentage of seniors living at or below 100 percent of the poverty line by race

- Ages 75 and older
- Ages 65–74

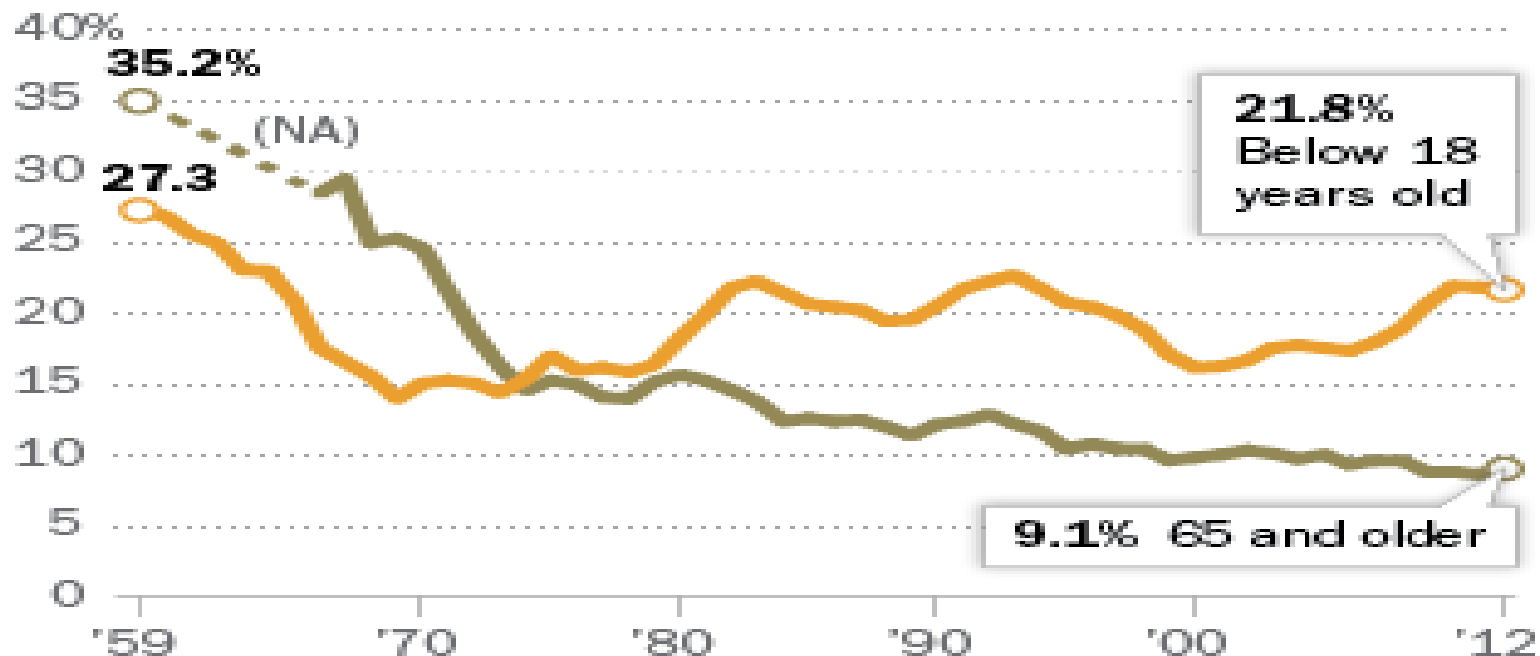


# The Results: Poverty & Isolation



# Comparing Poverty Among 2 “Dependent” Groups

## Poverty Rates for Children and Elderly



Source: Census Bureau

PEW RESEARCH CENTER

# **A Symptom of Poverty: Hunger**

- **Over 50 Million Americans experience hunger**
- **1/8 of all households in Maryland & DC**
- **African American & Latino Households are more than 2x as likely to be hungry**
- **In DC – ~31% of children live in households without consistent access to food.**

# **Hunger Among the Elderly**

- **Over 8% of elderly households**
- **30% choose between food & health care**
- **35% choose between food & utilities**
- **By mid 2020's, number of “food insecure” elderly is projected to increase by 50%**



# The Impact of Hunger

- **Children**: More health & behavioral problems & learning disabilities, slower psychological development, academic achievement
- **Adults**: Increased risk of diabetes, hypertension, cardio-vascular problems
- **Women**: More frequent depression & other mental health problems
- **Pregnant Women**: More premature births, low birth-weight babies, birth complications

# Poverty is Actually Much Worse

- We don't count people who are homeless, in prison, or doubling up with their families
- If the poverty line reflected the real cost of living, ~ 100 Million Americans would be poor
- Without Social Security, another 20 Million Americans would be poor.

# **Poverty's Long-Term Impact**

- **~60% of Americans & 90% of African Americans are poor at some time before 65**
- **People who are poor have only a 1 in 3 chance of escaping poverty in a given year**
- **~1/2 of those who escape poverty become poor again within 5 years**

**Why are Americans Poor?**

**3 EXPLANATIONS**

# **1. The “Culture of Poverty”**

- **Criticizes “the poor” for differences in their motivation & values, lifestyle, life goals, family patterns, language, & mores**
- **“Evidence” = Crime rates, mental illness, drug addiction, teen pregnancy, school performance among the “poor”**

## **2. “Stuff Happens”**

**Focuses on life stages & circumstances**

- **Examples include:**

- Disability
  - Physical or Mental Illness

- Old age-- Widowhood or divorce

- Loss or absence of one's parents

- Unemployment or Low Wages

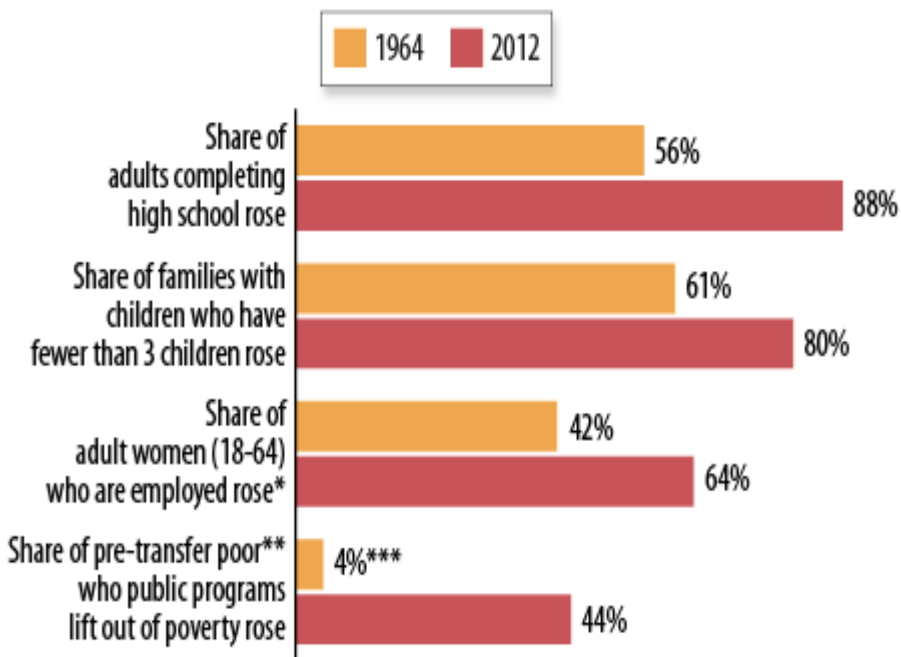
- Immigration status

### **3. Structural Explanations**

- **Globalization, de-industrialization, urban life**
- **Impact of federal and state policies**
- **Focuses on class, racial, & gender issues**
- **Links poverty to socio-economic inequality**

# Factors influencing Poverty

## Some Factors Pushing Poverty Down



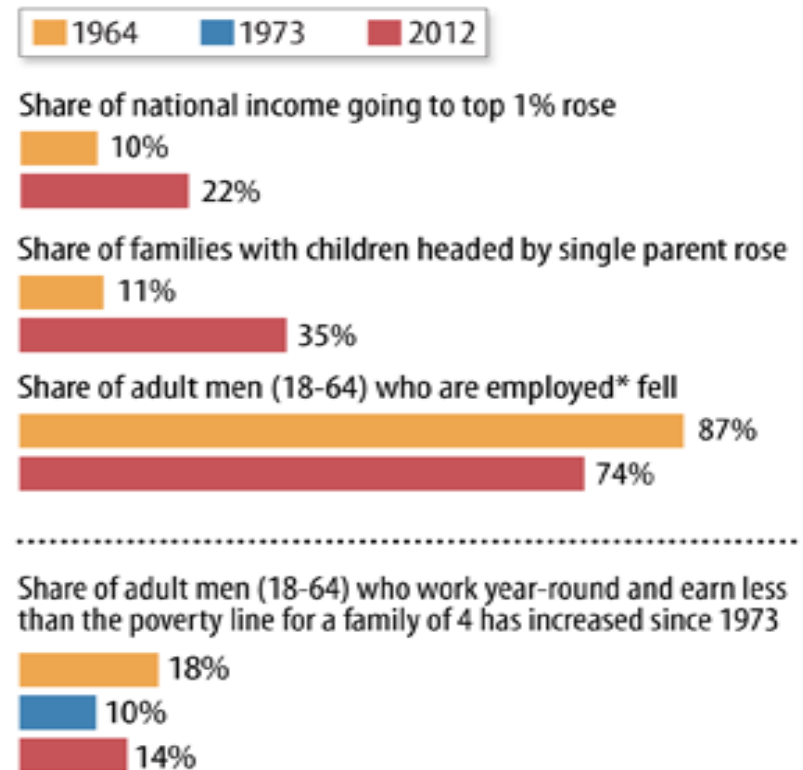
\*Data reflect employment in March 1964 and March 2012.

\*\*Pre-transfer poor=People below poverty line before considering government benefits.

\*\*\*4% figure reflects 1967, not 1964, as this is the first year data are available. 1964 figure likely would be smaller since inflation-adjusted benefit spending was lower in 1964 than in 1967.

Sources: CBPP analysis of March 1964 and March 2012 Current Population Survey; safety net measure uses anchored SPM data from Wimer et al (2013).

## Some Factors Keeping Poverty High



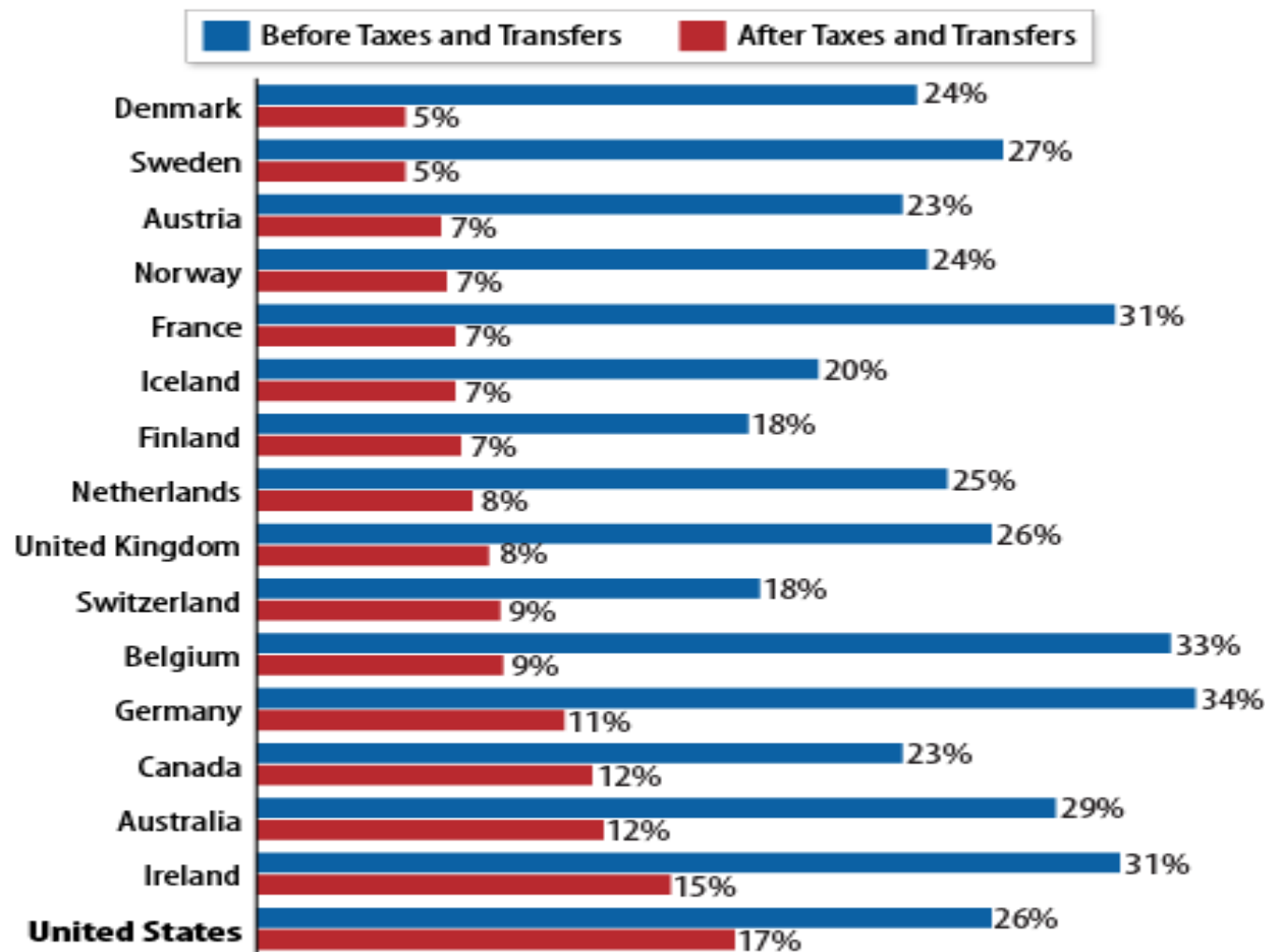
\*Data reflect employment in March 1964 and March 2012.

Sources: CBPP analysis of March Current Population Survey from 1964, 1965, 1974, 2012, and 2013; Emmanuel Saez, based on IRS data.



## U.S. Poverty Rate Is High After Taxes and Transfers Compared to Similarly Wealthy Countries\*

Poverty rate according to common international standard, mid-2000s



\*Note: The poverty threshold is defined as 50% of national median income, a widely accepted international standard. The comparison includes countries (for which comparable data are available) with median equivalized individual disposable incomes within 25% of US median income (\$26,990) in 2005 US dollars converted by purchasing-power parity. The lowest and highest were France (\$20,660) and the Netherlands (\$28,032).

Data reflect poverty in a year in the mid-2000s, typically 2004 or 2005.

Source: OECD, *Growing Unequal?: Income Distribution and Poverty in OECD Countries*, 2008.

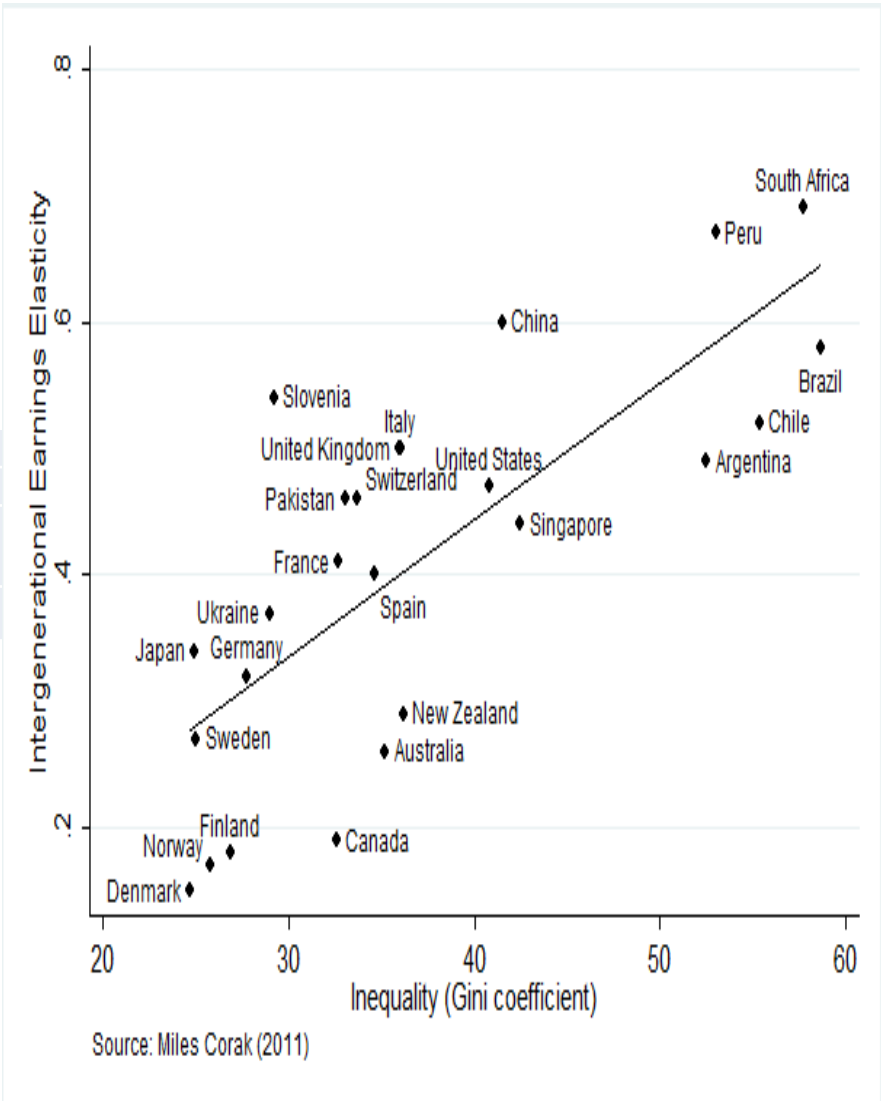
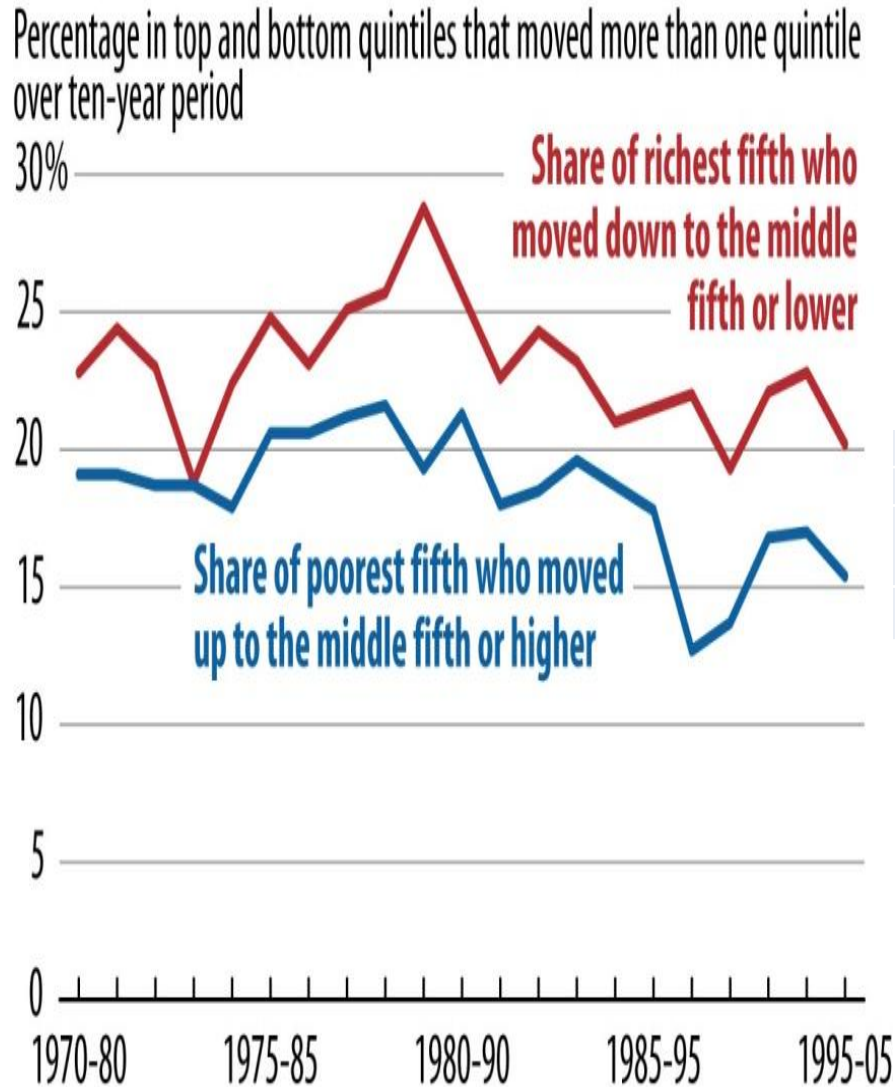
# **Why is There Still Poverty in the U.S.?**

- **Growing inequality – Tolerance of wide gaps**
- **Lack of political parties that address the issue**
- **Ideology of individual responsibility**
- **Resistance to government intervention**
- **Stigma placed on those who receive aid**

# The Illusion of Equal Opportunity

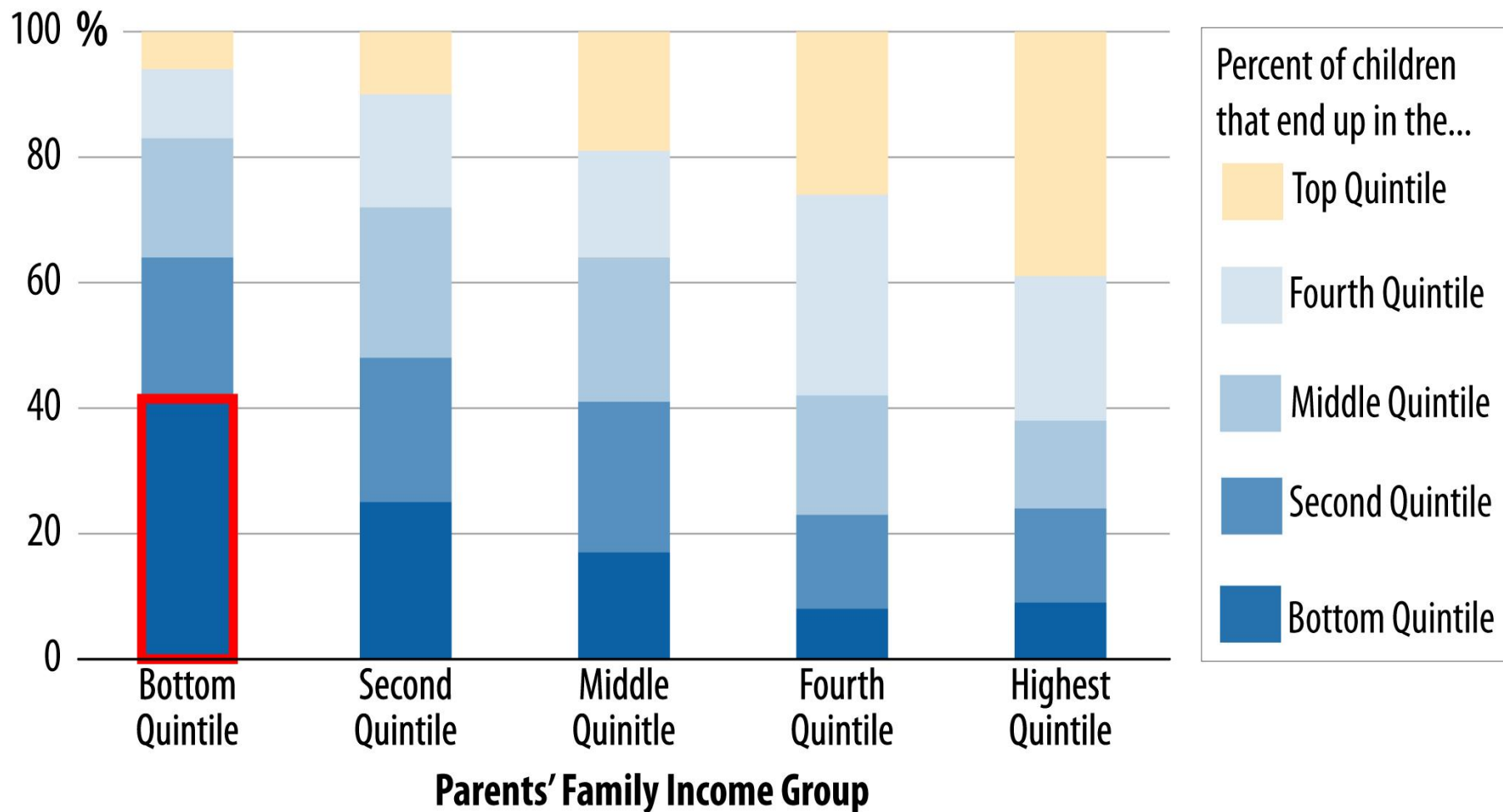


# Declining Social Mobility in the US



Sources: Katherine Bradbury, 2011; Miles Corak, 2011

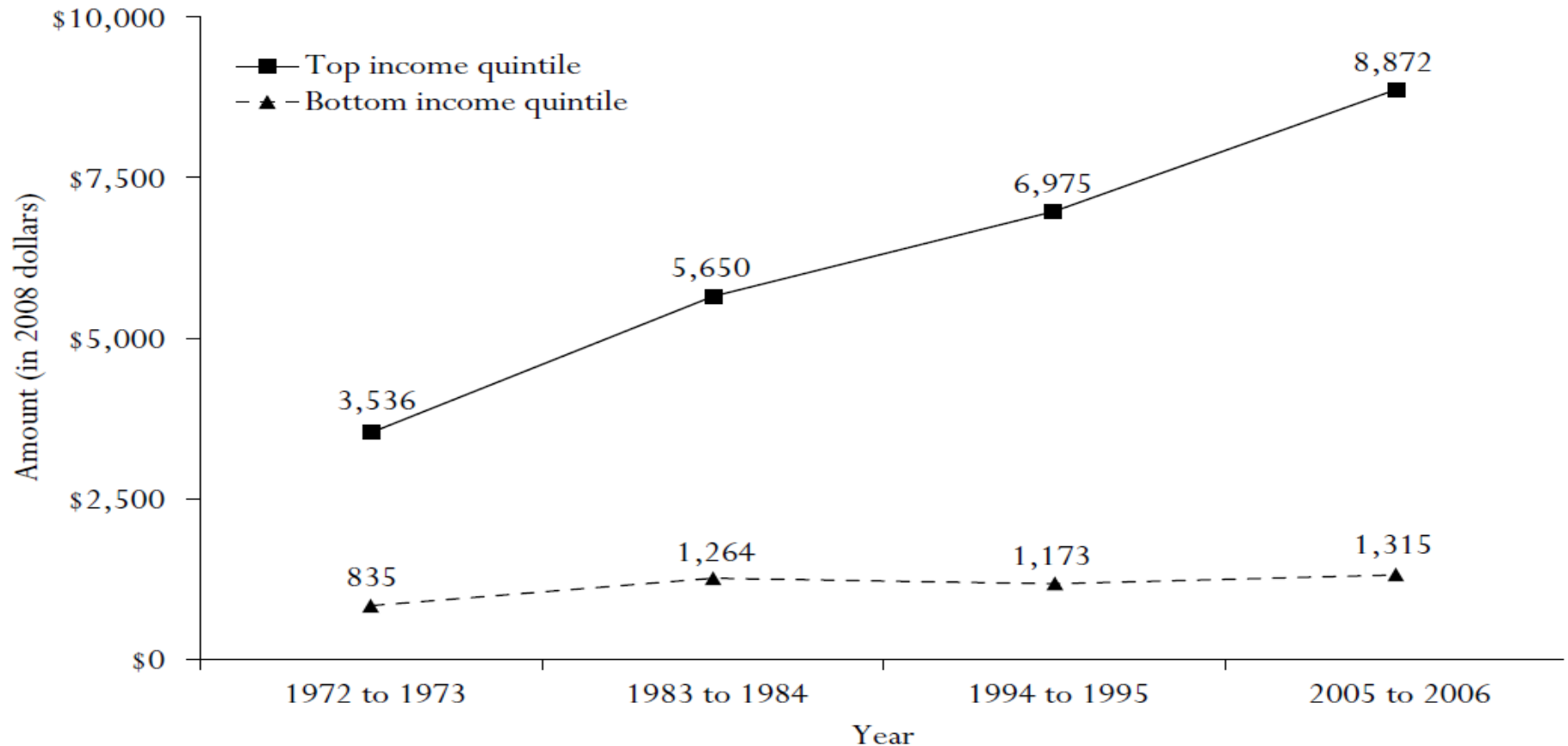
# Children's Chances of Getting Ahead or Falling Behind by Parents' Family Income



Source: CBPP based on Pew Economic Mobility and the American Dream Presentation

# Widening Gap in Enrichment Expenditures: Music & Art Lessons, Books, Sports, Tutoring

FIGURE 1.6 *Enrichment Expenditures on Children, 1972 to 2006*



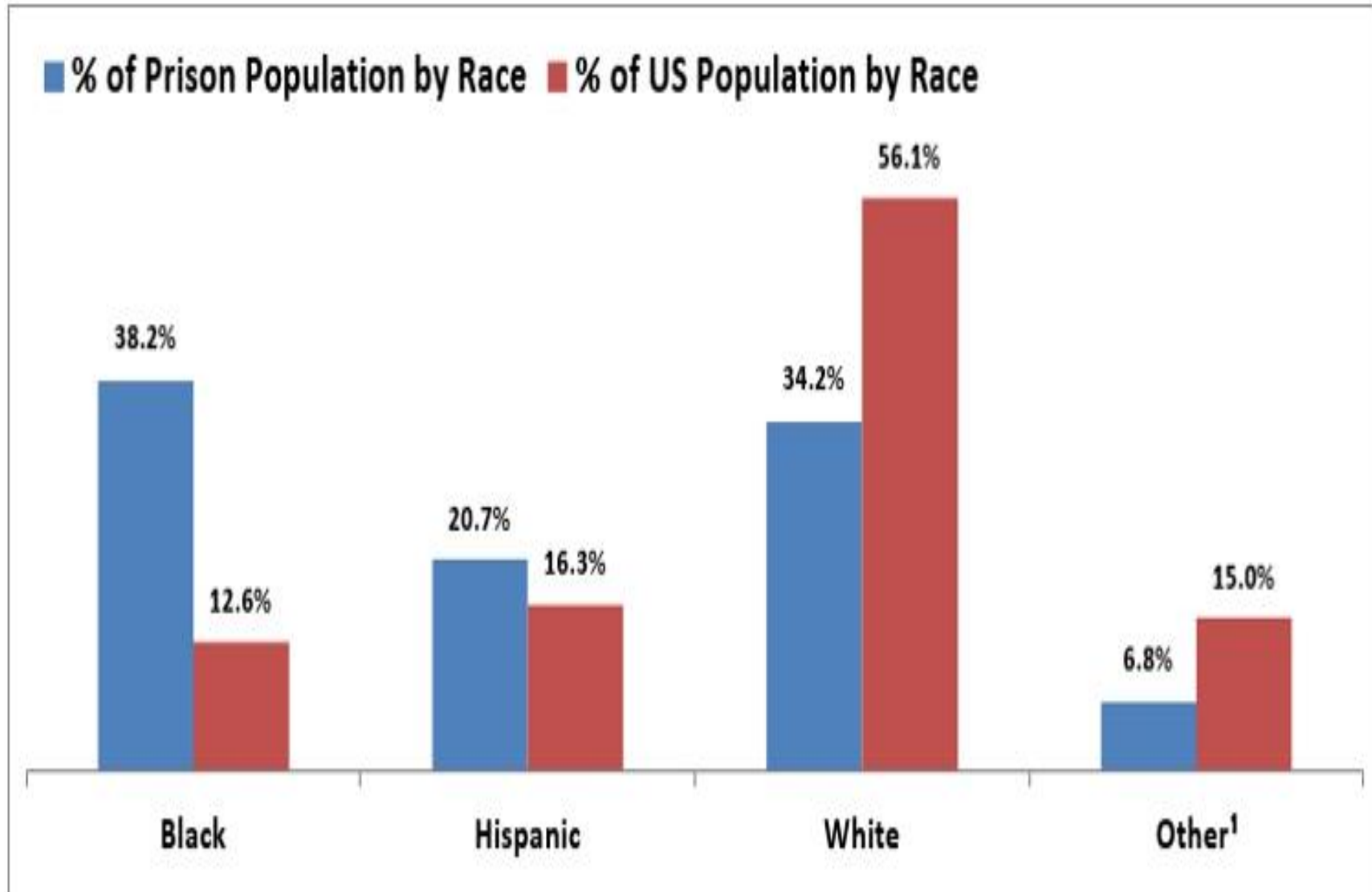
# Education, Poverty, & Opportunity

- Baltimore area has 2<sup>nd</sup> highest gap between urban & suburban H.S. graduation rates
- Urban Districts: ~40% Suburban Districts: ~80%

## This is important because:

- Since 1980: Pay for college grads up 15.7%  
Pay for workers w/o HS diploma is down 25.7%

# Effects of Race & Incarceration



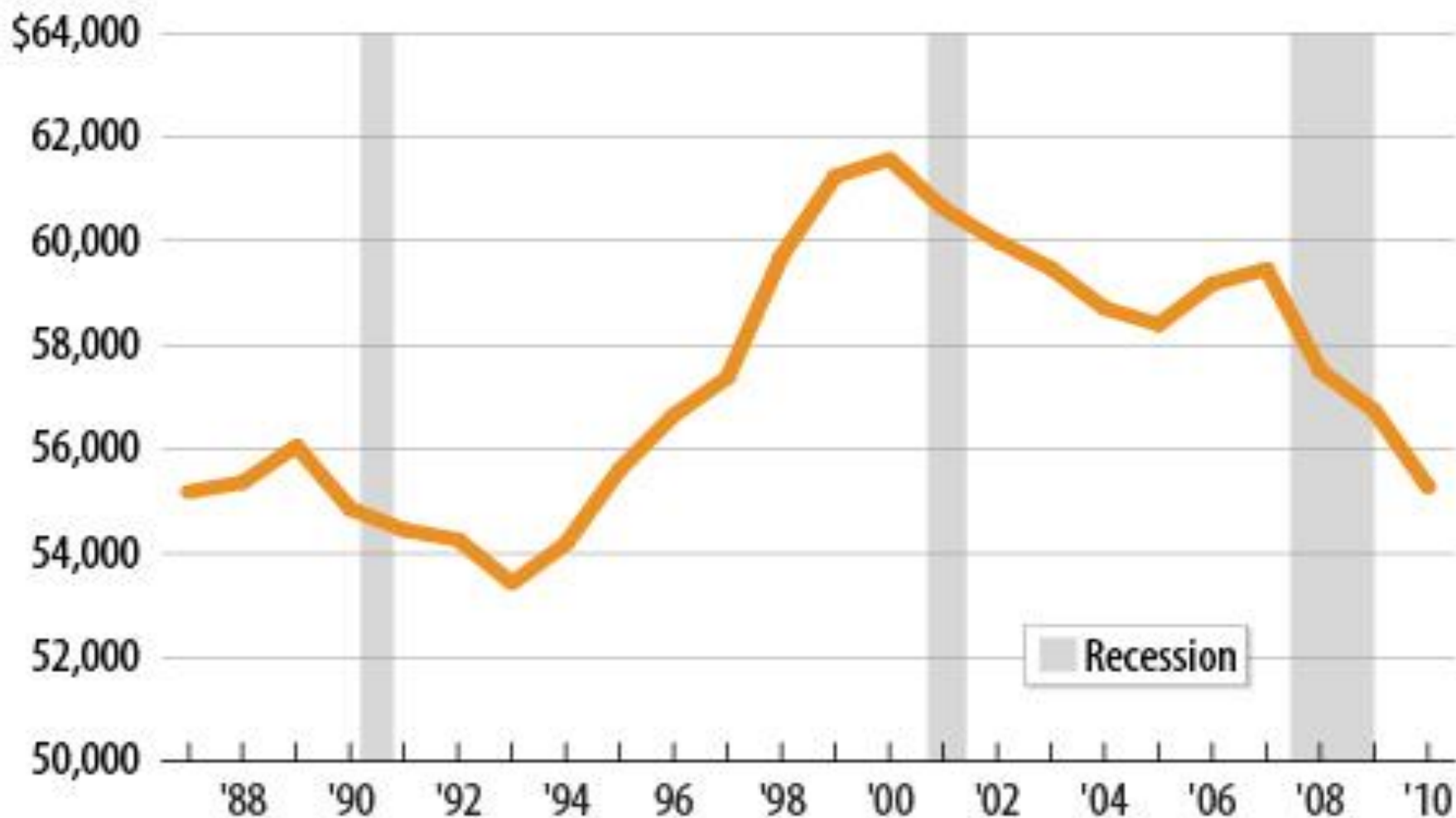


# Another Factor: Growing Inequality



# Real Income for Working-Age Households Reaches Lowest Level Since 1994

Non-elderly median household income (2010 dollars)



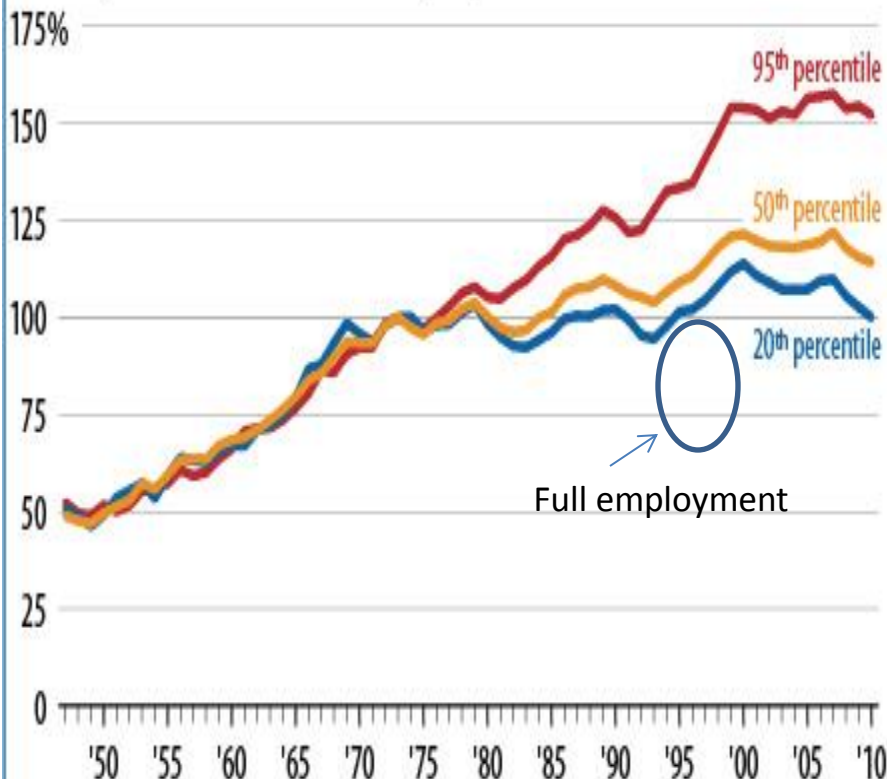
Sources: U.S. Census Bureau, National Bureau of Economic Research

# Inequality Hits Middle Class & the Poor

Figure 1:

Income Gains Widely Shared in Early Postwar Decades —  
But Not Since Then

Real family income between 1947 and 2010, as a percent of 1973 level



Full employment

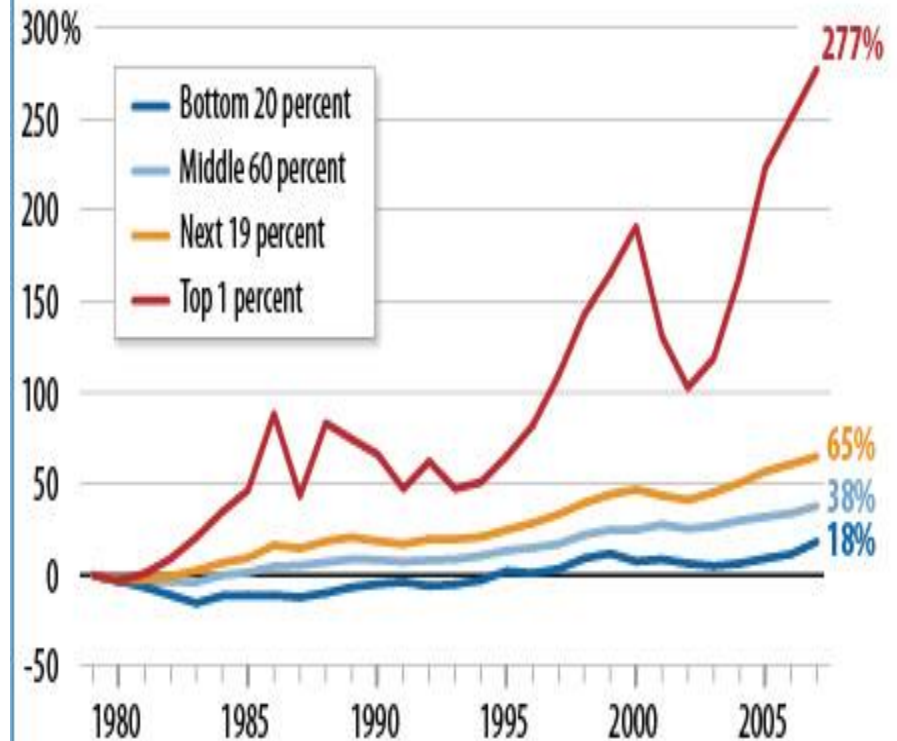
Source: CBPP calculations from U.S. Census Bureau data

Center on Budget and Policy Priorities | cbpp.org

Figure 2:

Income Gains at the Top Dwarf  
Those of Low- and Middle-Income Households

Percent change in after-tax income since 1979



Source: Congressional Budget Office

Center on Budget and Policy Priorities | cbpp.org

# Growing Inequality Today

- In 2012, the top 10% earned more than half of the nation's total income
- Top 1% earned 22.5% of all income
- In 2010, 93% of additional income created in the U.S. went to top 1%
- The bottom 99% took home ~\$80/household

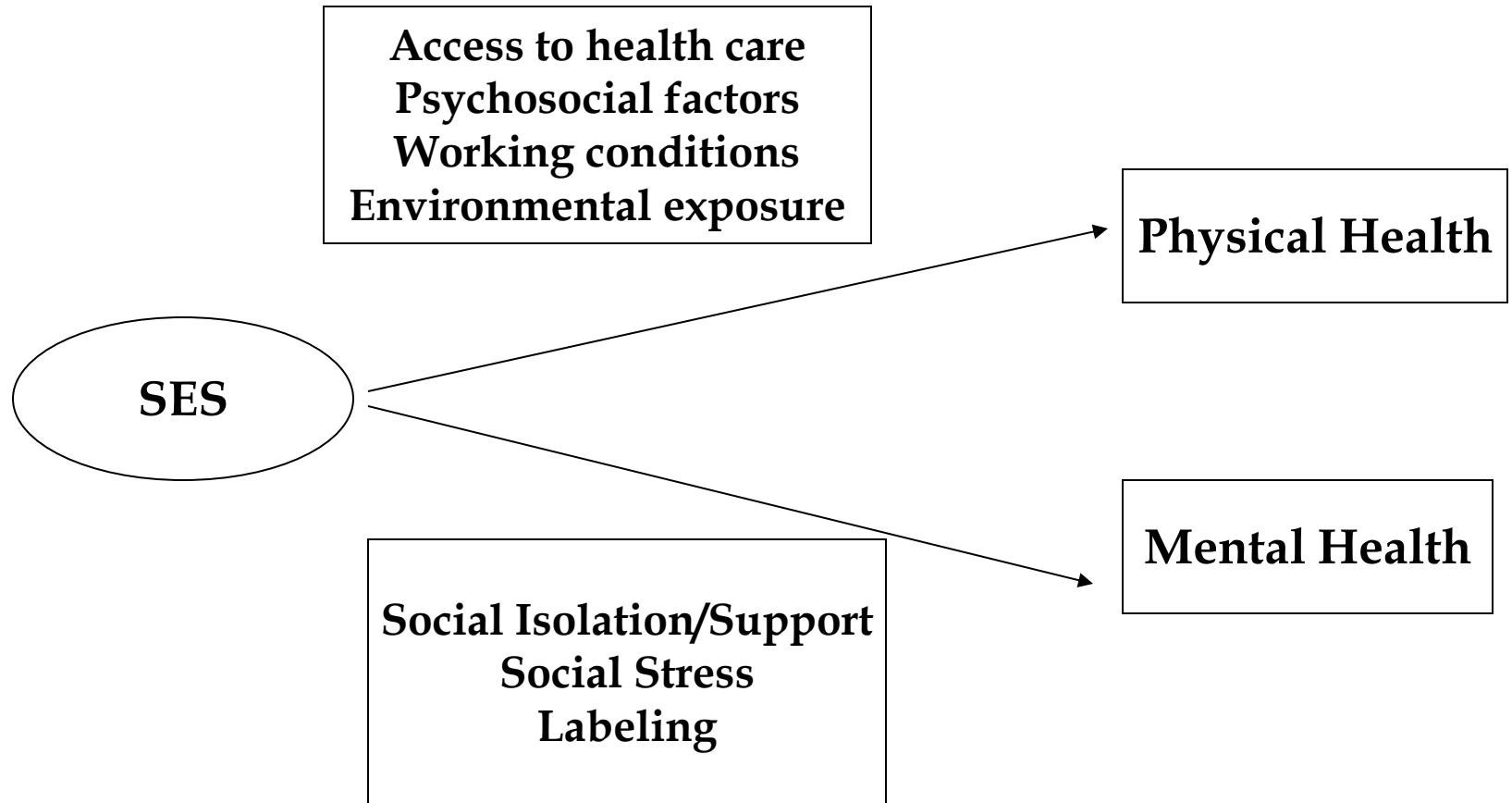
# **Share of Additional Income Earned by Top 1% from 1993-2015**

- **Clinton Years: 45%**
- **Bush “Recovery” Years: 65%**
- **Obama Years: 93%**

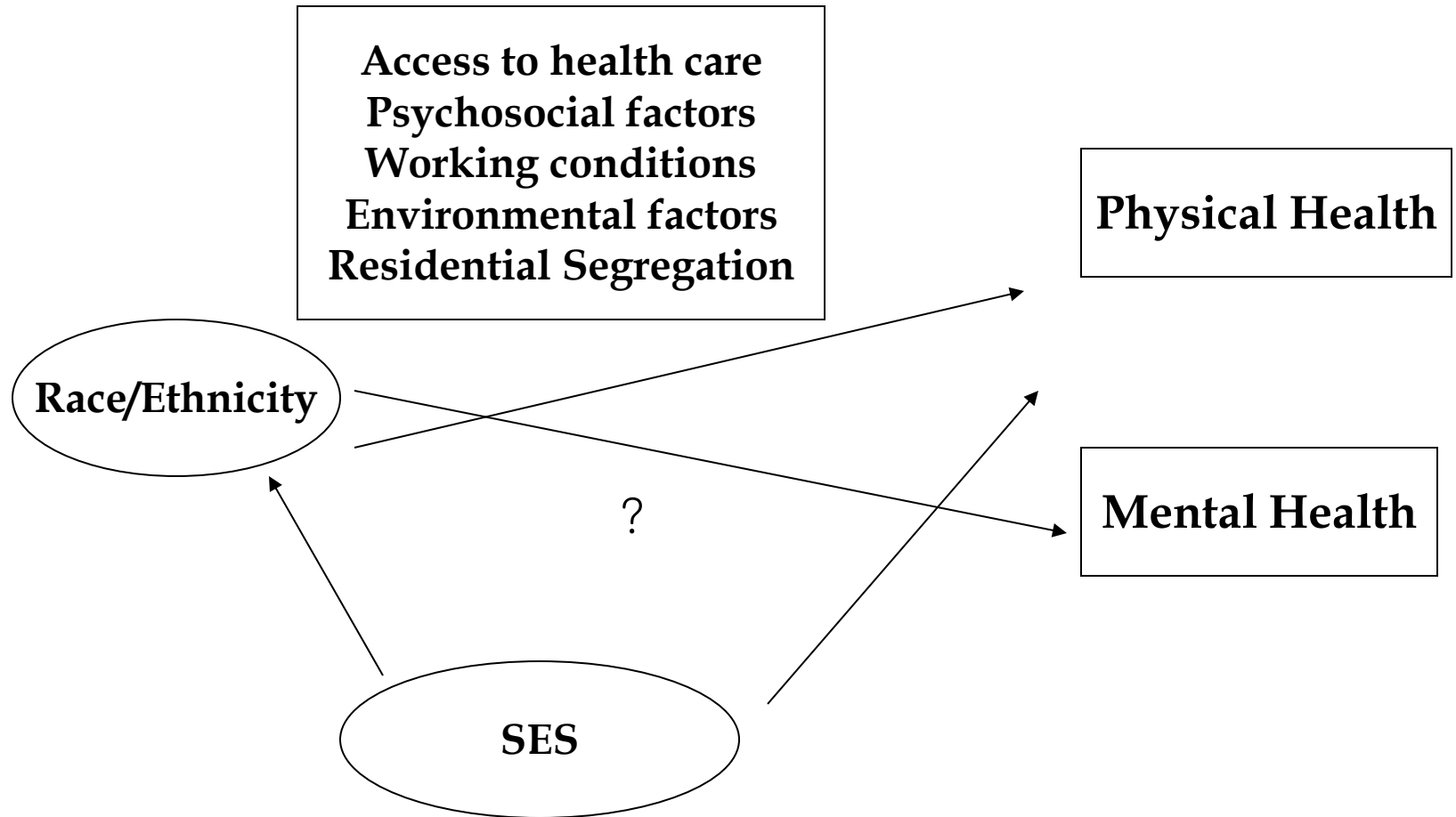
# **The Shrinking Middle Class**

- **Median Annual Household Income: \$53,046 (2013)**
- **% of Americans who think they are middle class fell from 53% in 2008 to 44% in 2014.**
- **% of Americans who think they are lower middle class or poor rose from 25% in 2008 to 40%.**

# Inequalities in Health & Mental Health



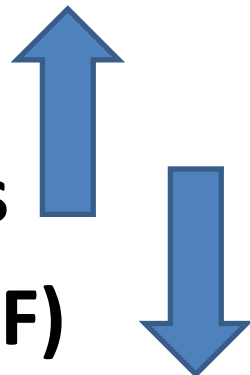
# Inequalities in Health & Mental Health







# How Did This Happen?

- More regressive tax policy
  - Wage stagnation while corporate profits
  - Value of social welfare benefits (UI, TANF)
  - Cuts in private benefits (especially pensions)
  - Decline of unions
  - Outsourcing– Higher structural unemployment
  - Increased cost of basic goods since late 1970s:
    - Health care + 600%
    - College + 1200%
- 

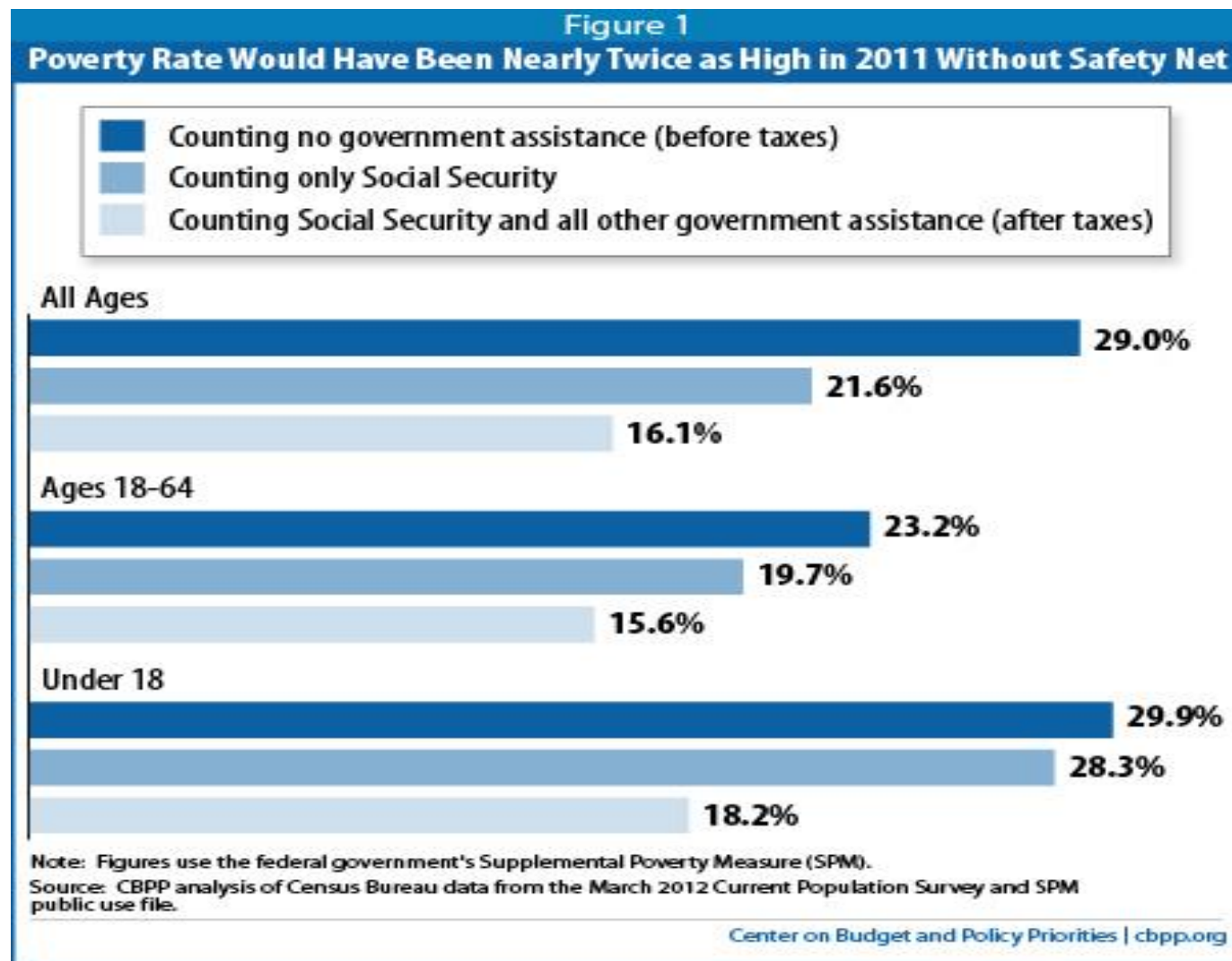
# **What Can We Do About Poverty & Inequality in the U.S.?**

**What is the Role of Policy?**

# Impact of Policy on Poverty

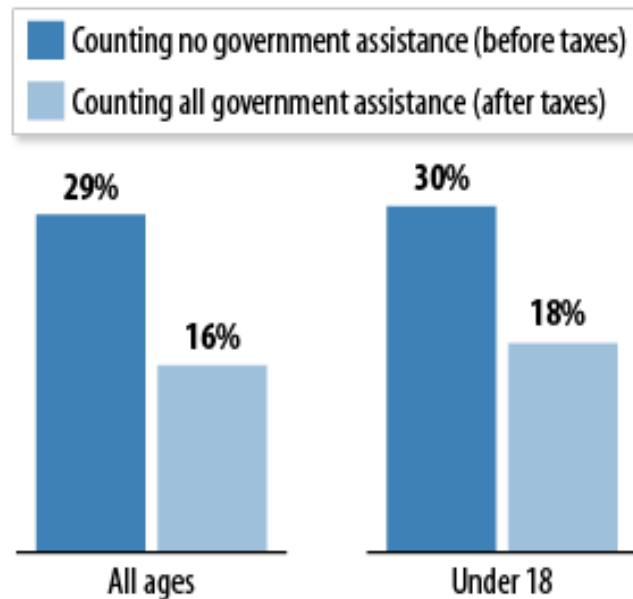
- In US: In 2011, public programs lifted 40 M people out of poverty (~9 M children)
- Safety Net lowers poverty rate by ~14%
- Social Security: 26 Million/16 Million Seniors
- SNAP (formerly Food Stamps): 4.7 million
- EITC + Refundable Child Care Tax Credit: 9.4 Million, including nearly 5 Million children
- Rent Subsidies: 1.5 Million people
- In Maryland: 474,000 persons (105,000 children) kept above poverty line by all public

# Impact of Policies on Poverty Rate



# The Safety Net & Poverty

## Safety Net Cuts Poverty Nearly in Half



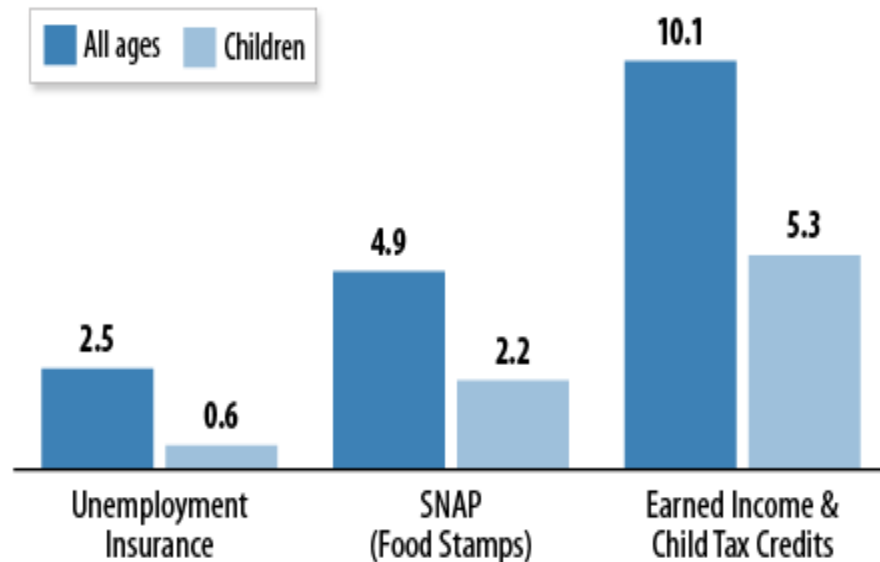
Note: Figures use the federal government's Supplemental Poverty Measure (SPM).

Source: CBPP analysis of Census Bureau data from the March 2013 Current Population Survey and SPM public use file.

Center on Budget and Policy Priorities | [cbpp.org](http://cbpp.org)

## Safety Net Programs Keep Millions out of Poverty

Millions of people kept above poverty line based on Supplemental Poverty Measure, 2012



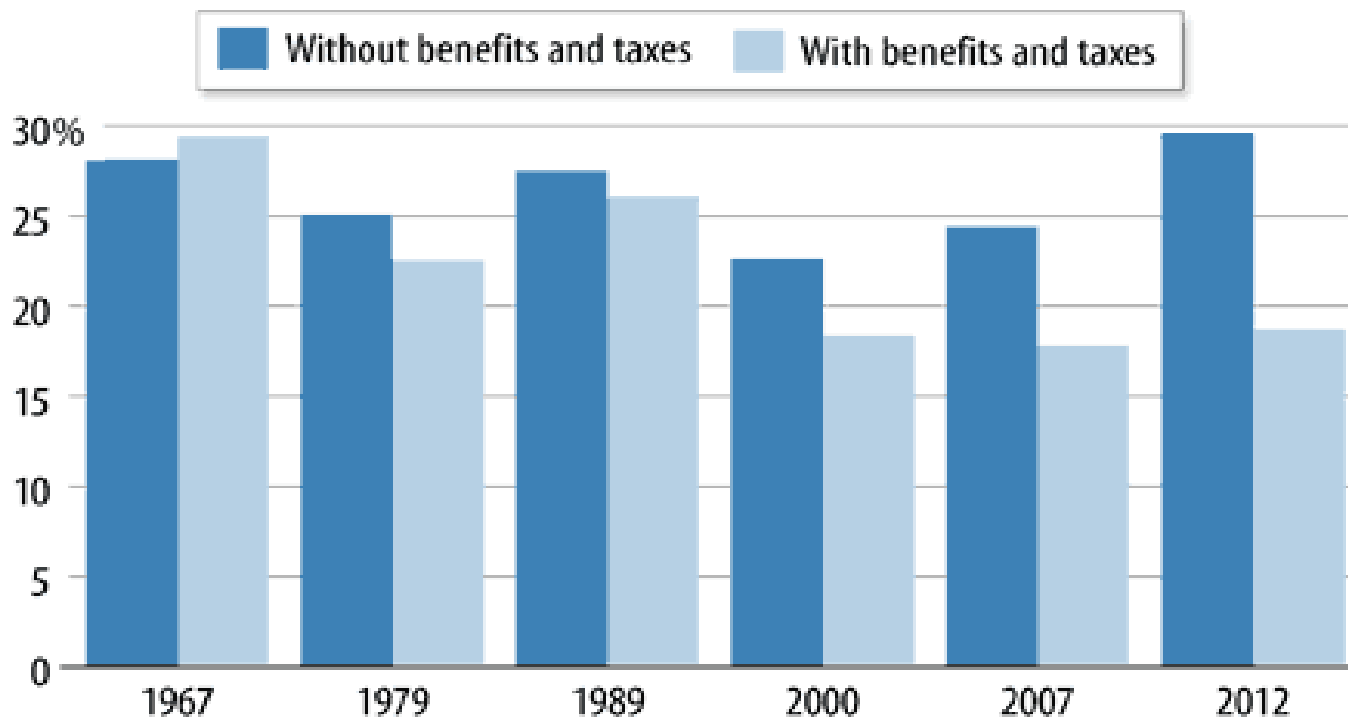
Source: CBPP analysis of Census Bureau data.

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# The Safety Net & Child Poverty

## Safety Net Does More to Reduce Child Poverty Today

Poverty rates, counting and not counting, safety net benefits and taxes paid, using "anchored" Supplemental Poverty Measure\*



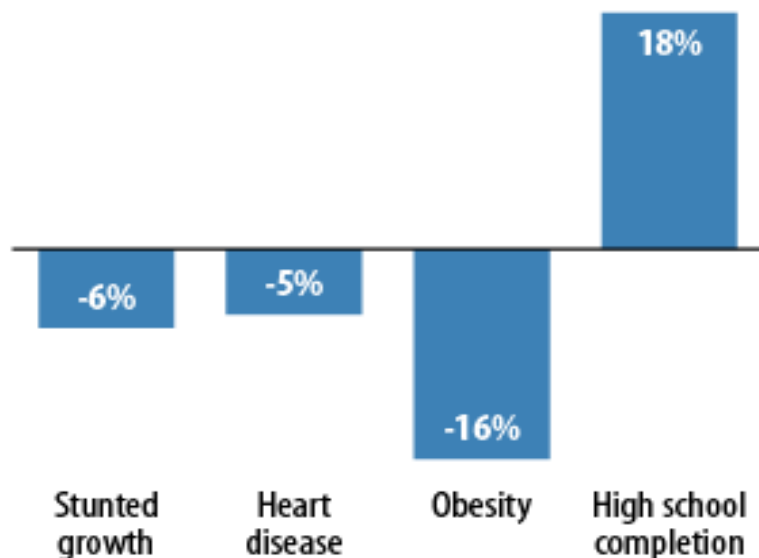
\*Anchored Supplemental Poverty Measure shows percent of people who are poor compared to today's living standards

Source: Christopher Wimer et al., "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center, December 2013.

# How The Safety Net Helps Children

## Children With Access to Food Stamps Fare Better Years Later

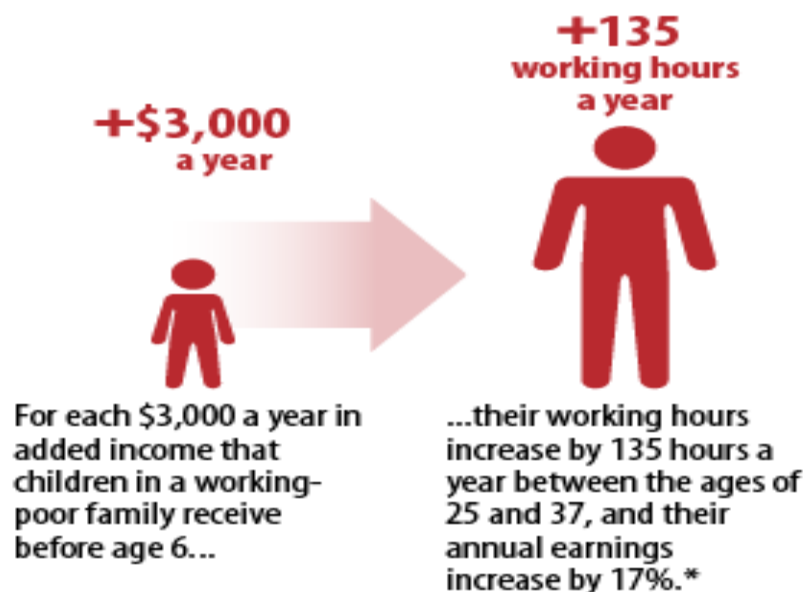
Percentage-point change for disadvantaged children by age 19 when food stamps became available



Source: Hoynes, Schanzenbach, and Almond, "Long Run Impacts of Childhood Access to the Safety Net," National Bureau of Economic Research, November 2012.

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## Income Assistance for Poor Children Found to Increase Work Hours and Earnings Later in Life



\*Note: The published paper uses a 19% figure, but the authors have indicated that this is a typographical error and 17 percent is correct.

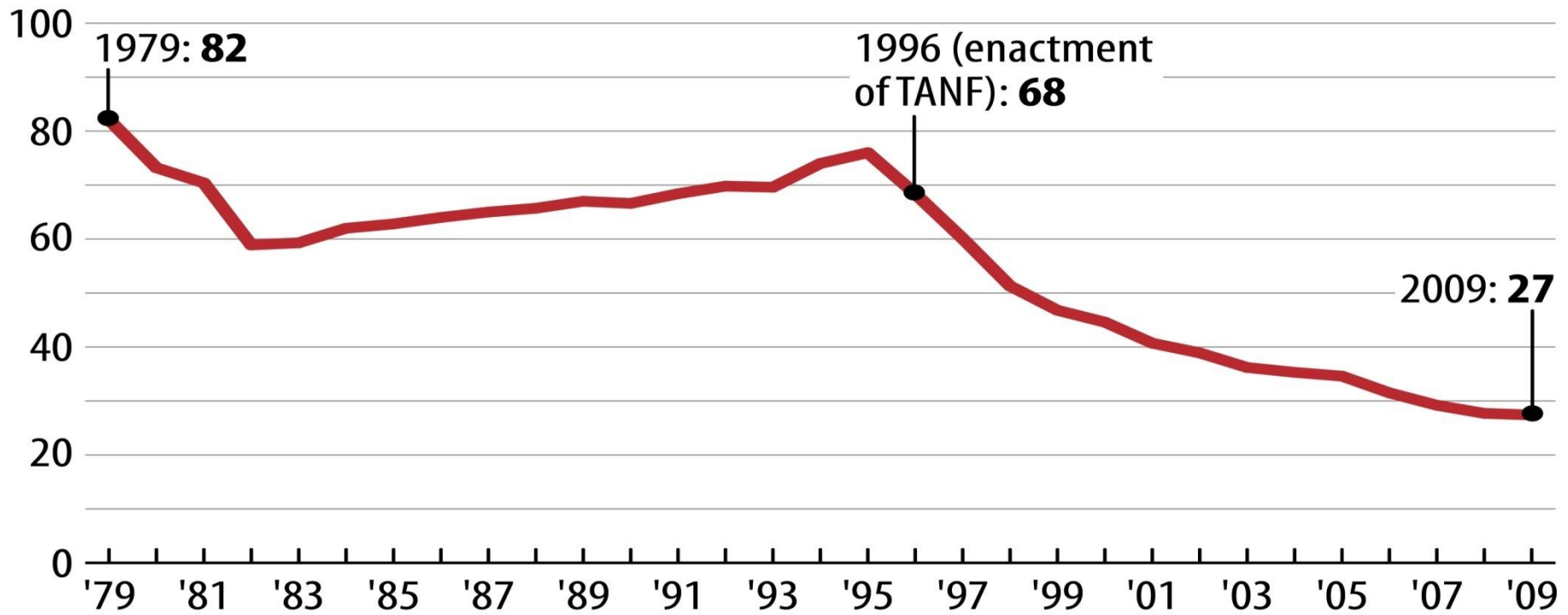
Source: Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," Child Development, January/February 2010.

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# TANF (Welfare) is a Poor Safety Net

## Number of Families Receiving AFDC/TANF Benefits for Every 100 Families in Poverty



Source: CBPP analysis.

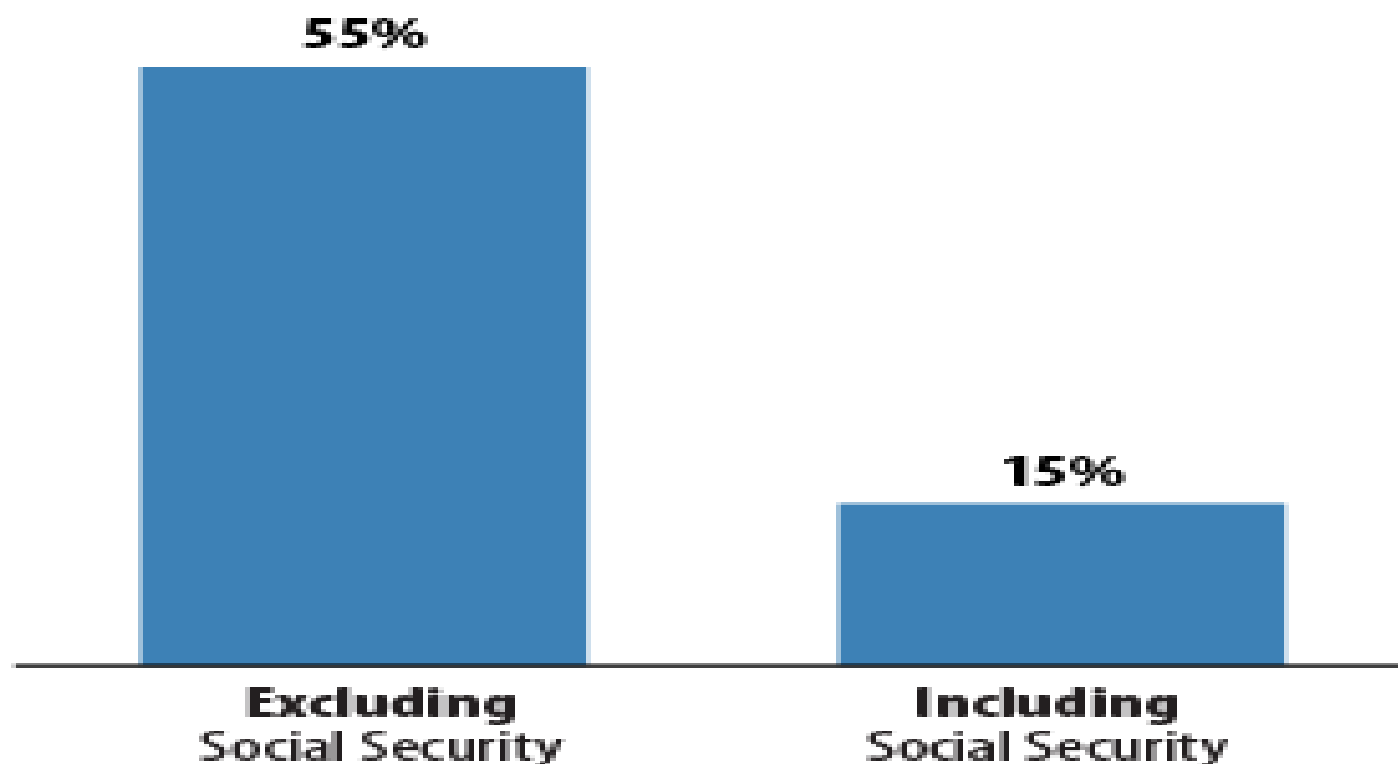
# **TANF Benefits in Maryland**

- **Monthly benefit for family of 3 is \$574**
- **TANF benefits = 37.2% of Poverty Line**
- **TANF benefits = 44.6% of fair market rent**
- **TANF + SNAP = 67% of Poverty Line**
- **Maximum of 60 months in one's lifetime.**

# How Social Policies Help the Elderly

## Social Security Dramatically Cuts Poverty Among Seniors

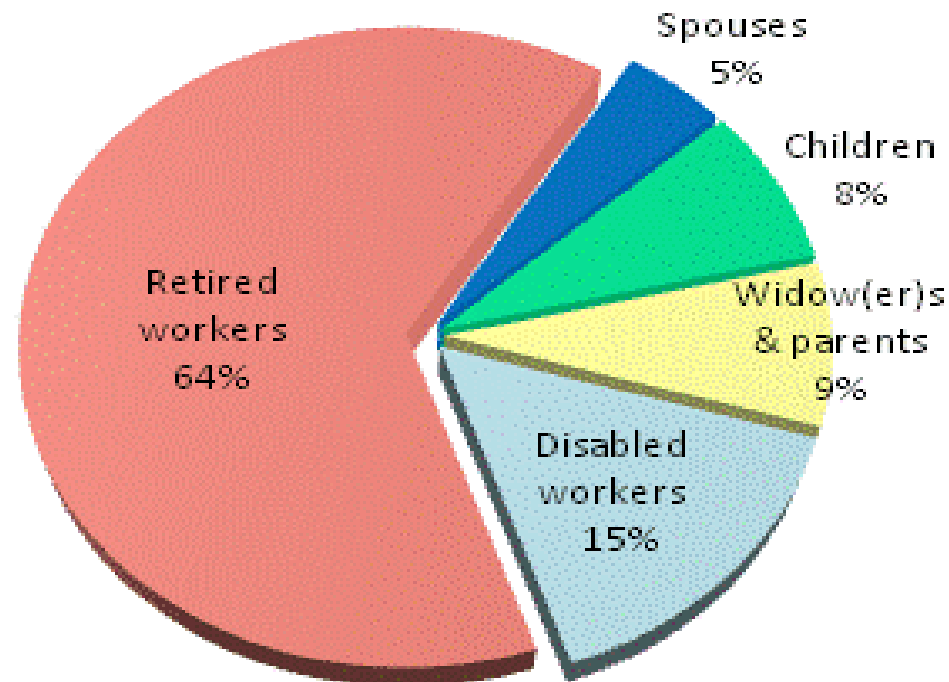
Percentage of seniors in poverty,  
Supplemental Poverty Measure, 2012



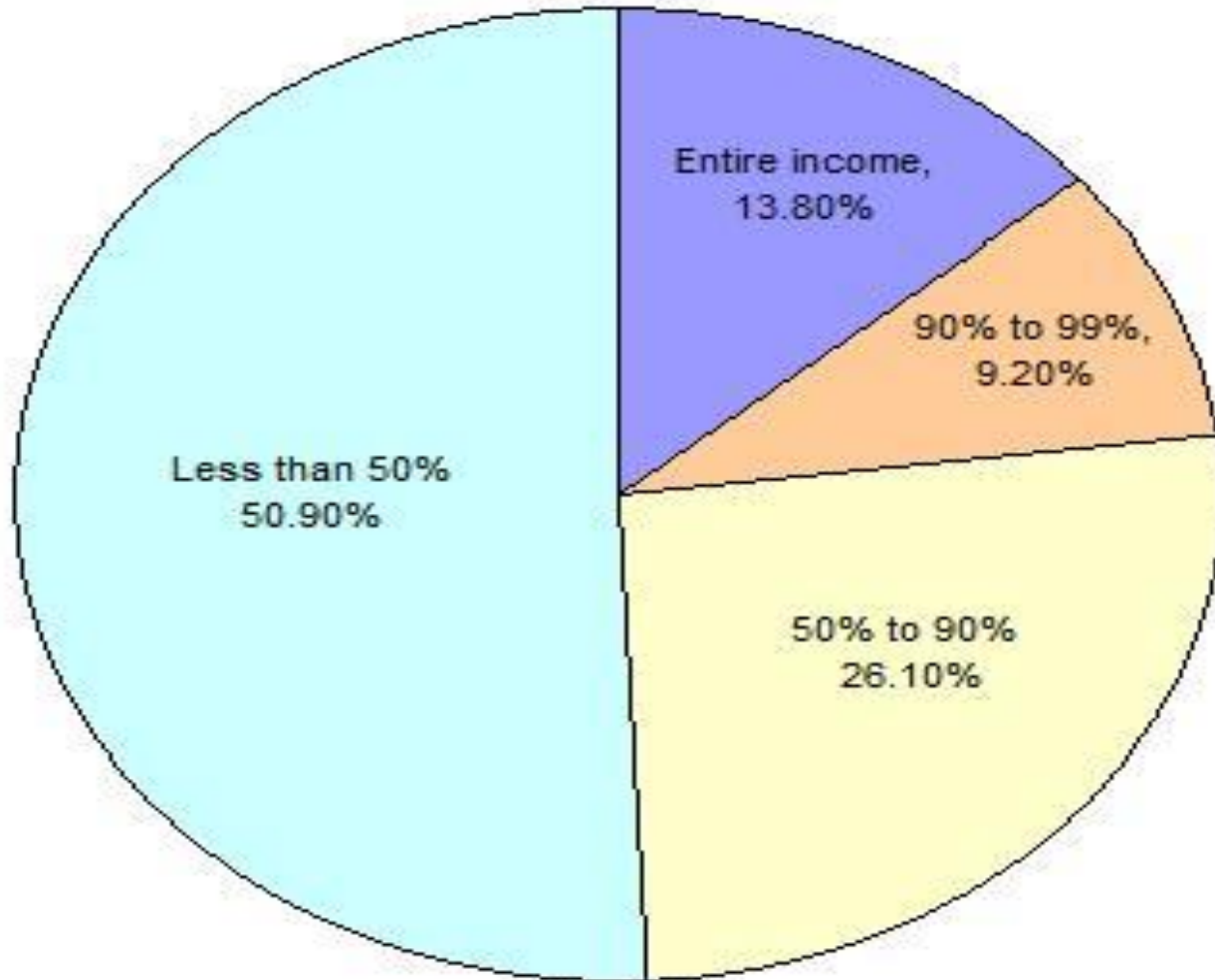
Source: U.S. Census Bureau

# Who Receives Social Security?

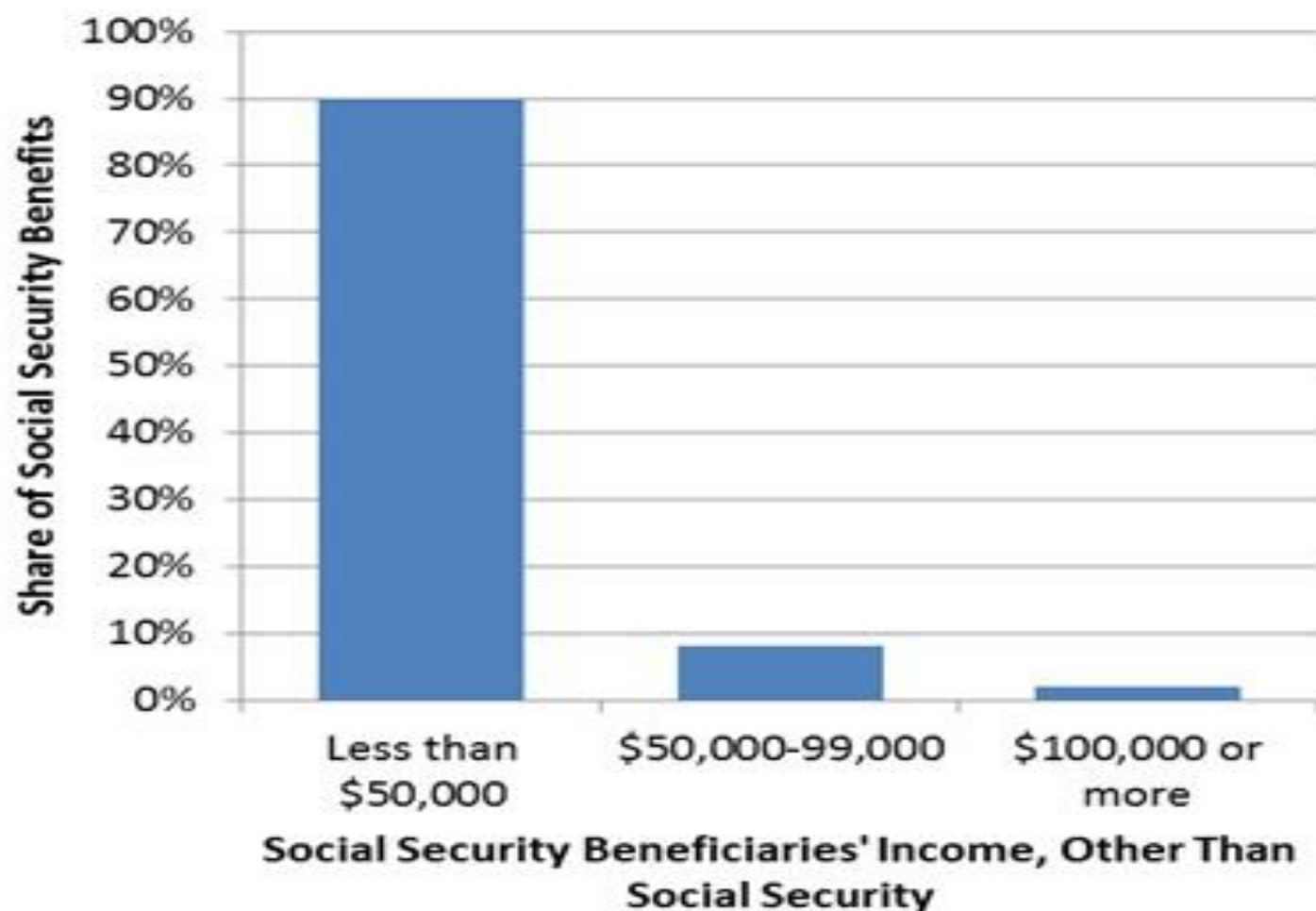
**Beneficiaries at end of 2010**



# Who Relies on Social Security?



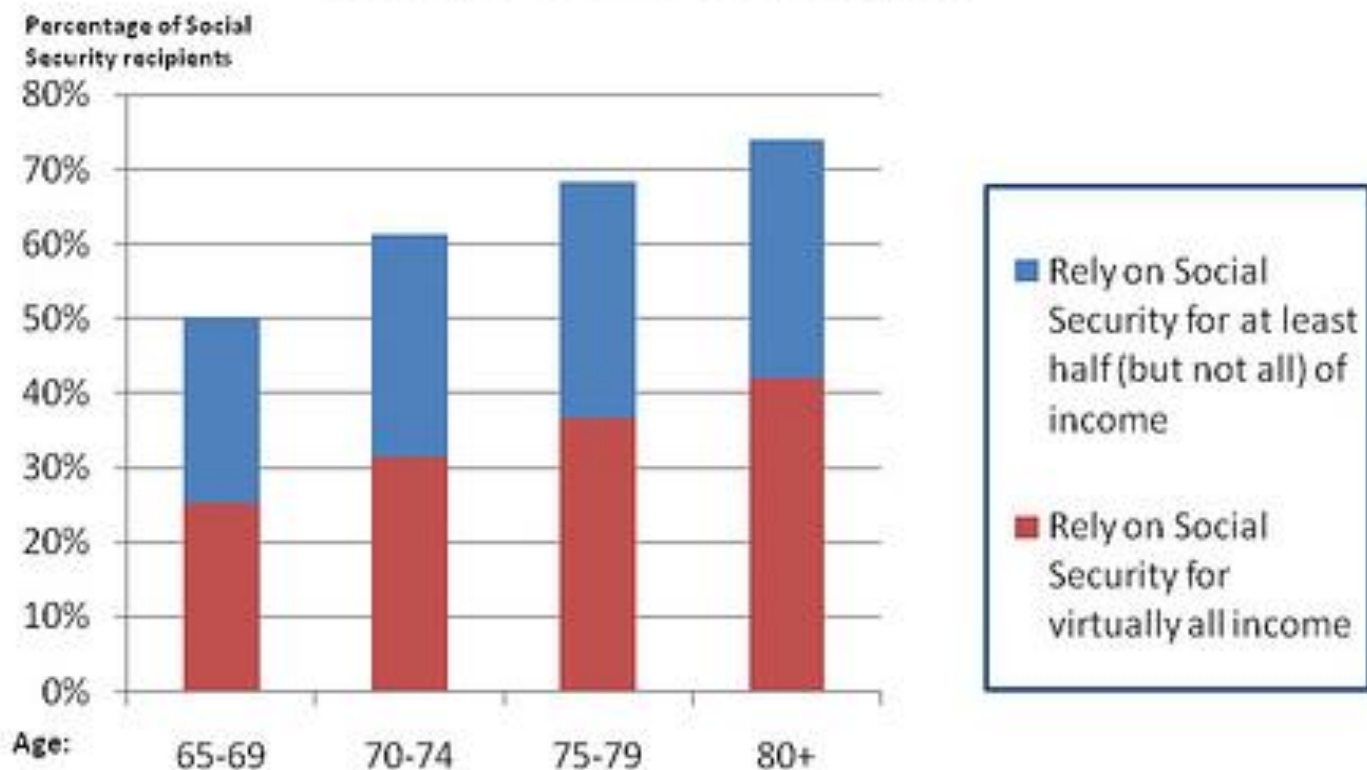
### Most Social Security Benefits Go to People Who Make Less than \$50,000 a Year



Sources: Center on Budget and Policy Priorities (CBPP), based on data from the Center for Economic and Policy Research (CEPR).

# Reliance on Social Security Grows as Retirees Get Older

Chart #6



Source: Social Security Administration's *Income of the Population 55 or Older, 2008* (Released April 2010)

Prepared by the Democratic Staff of the Committee on Ways and Means, Subcommittee on Social Security  
Representative Xavier Becerra, Ranking Member

June 22, 2011

# **Social Security & Poverty**

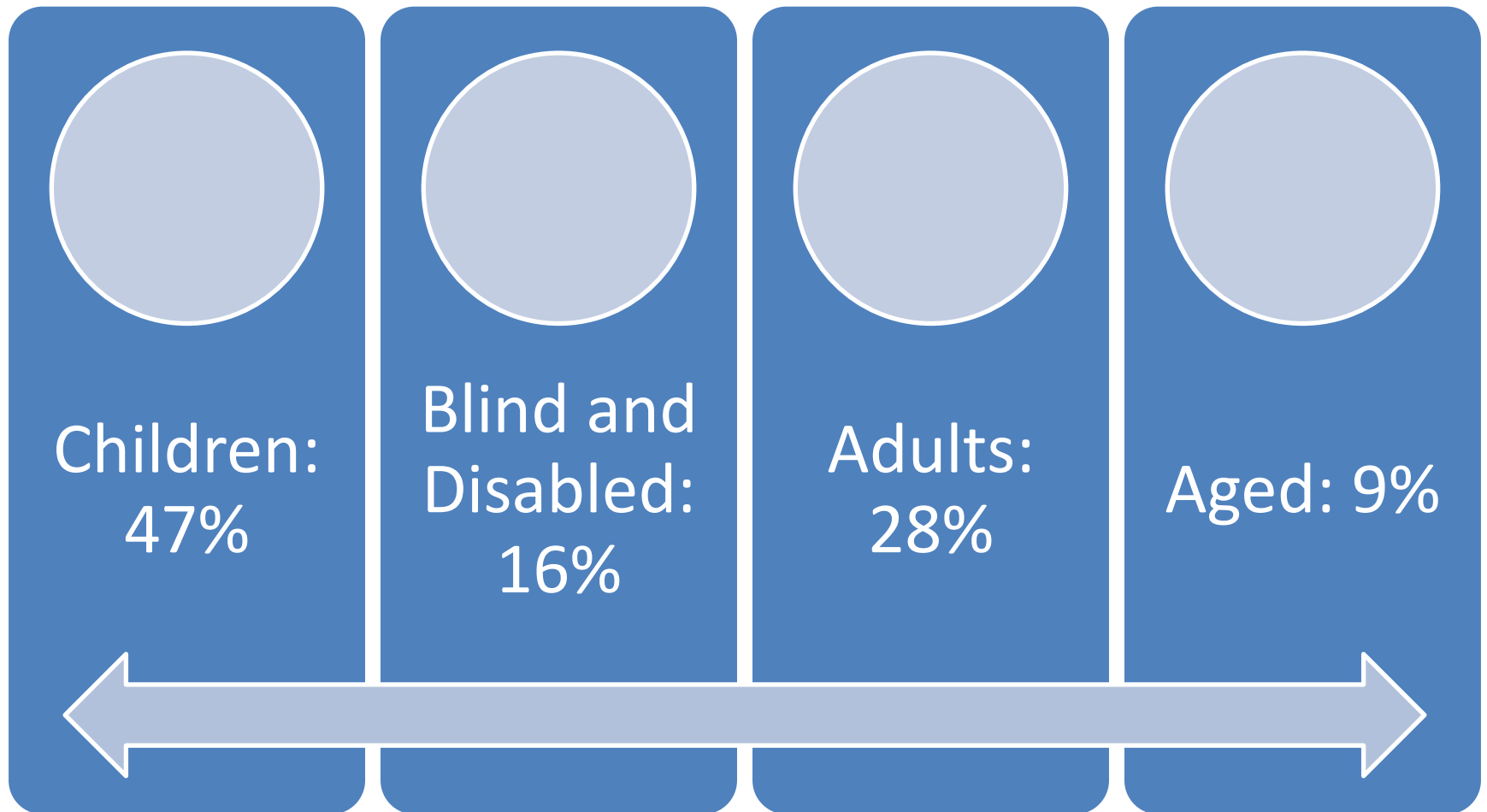
- **Lifts 21.4 million Americans out of poverty – including 1.1 million children**
- **~873,000 Marylanders receive SS including ~50,000 children & ~200,000 adults under 65**
- **Without SS, 35.6% of Maryland elderly would be poor. With SS, only 8.2% are poor.**



# **Medicare & the Elderly**

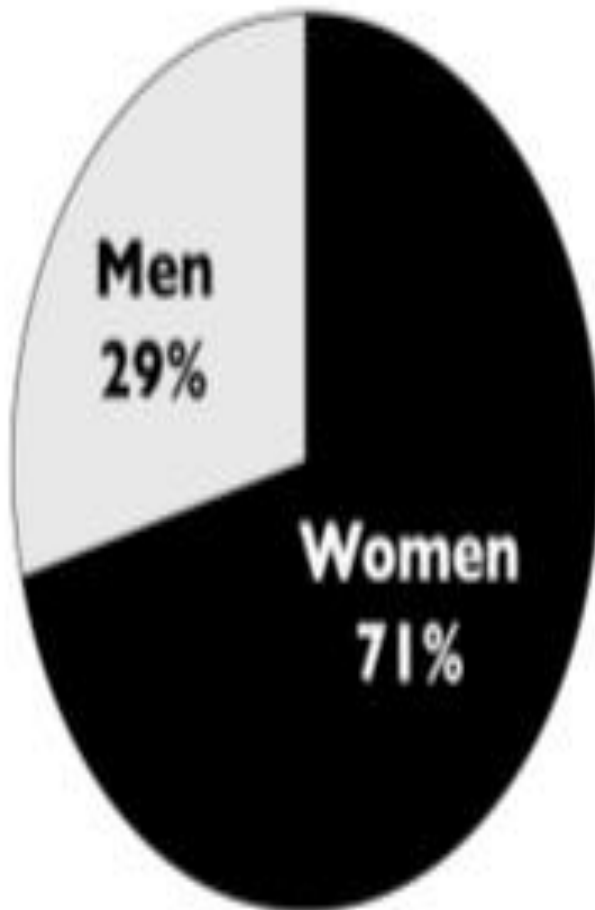
- **~43 M elderly Americans receive Medicare**
- **~1/2 recipients earn below 200% of poverty**
- **Lack of long-term care affects people over 85**

# Who Receives Medicaid?

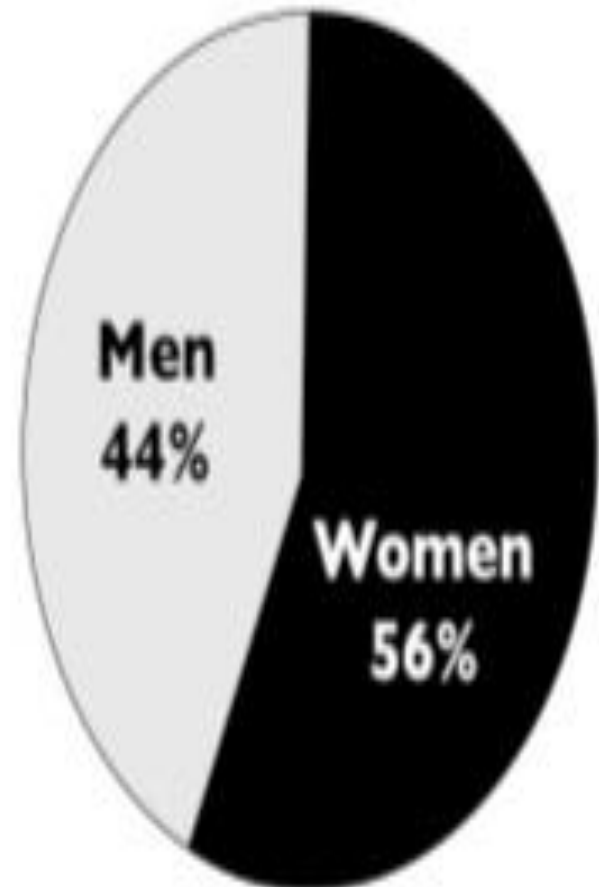


# Who Receives SSI?

**Elderly SSI Beneficiaries**



**Adult (age 18 to 64) SSI Beneficiaries with Disabilities**



# The Impact: Greater Well-Being



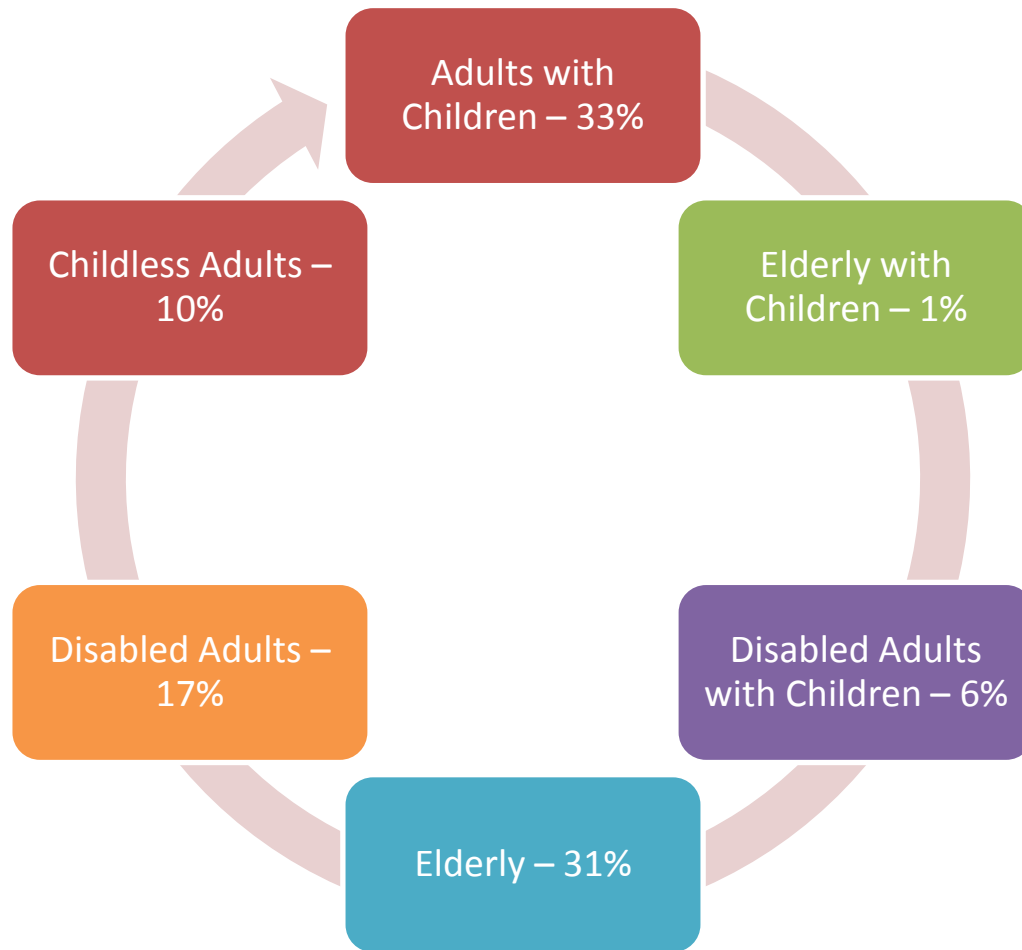
# **Who Gets General Assistance?**

- **Single, non-elderly childless adults who don't qualify for Supplemental Security Income (SSI)**
- **Must have physical or mental incapacity of 3 months or more preventing employment**
- **In Maryland -- Monthly benefit is \$185**
- **Can receive benefits for 9 or 12 out of every 36 months depending on length of disability**

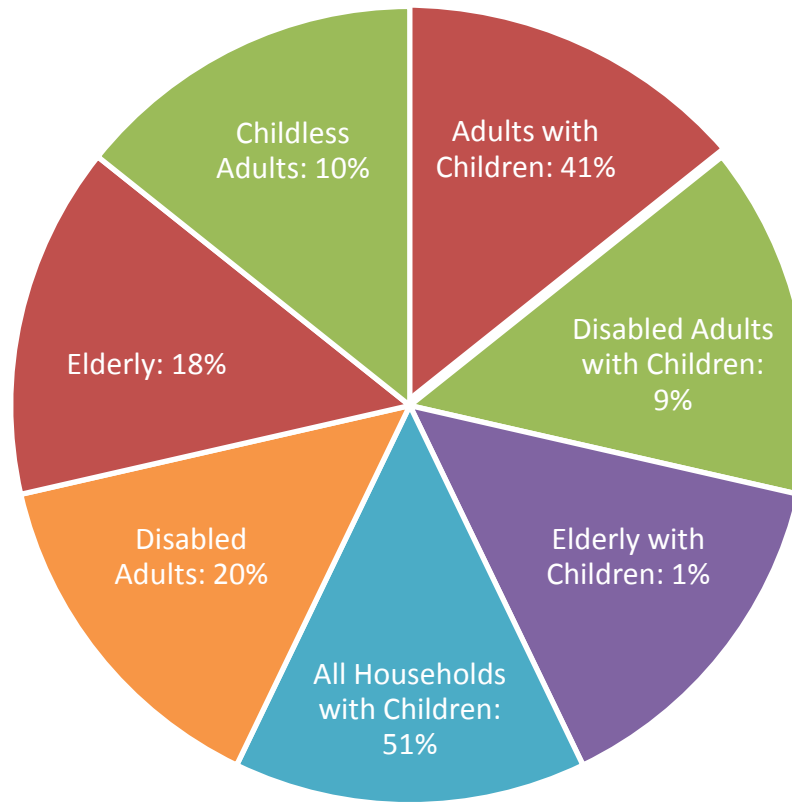
# **Who Receives Food Assistance?**

- **Supplemental Nutrition Assistance Program aids ~48 million Americans - Up 50% since the start of recession.**
- **30 million children participate in the National School Lunch Program.**
- **In Maryland: Number of persons receiving Supplemental Nutritional Assistance increased from 219,000 in 2000 to 561,000 in 2010**

# Who Receives Rental Assistance?



# Who is Helped by Housing Choice Vouchers (formerly Section 8)?



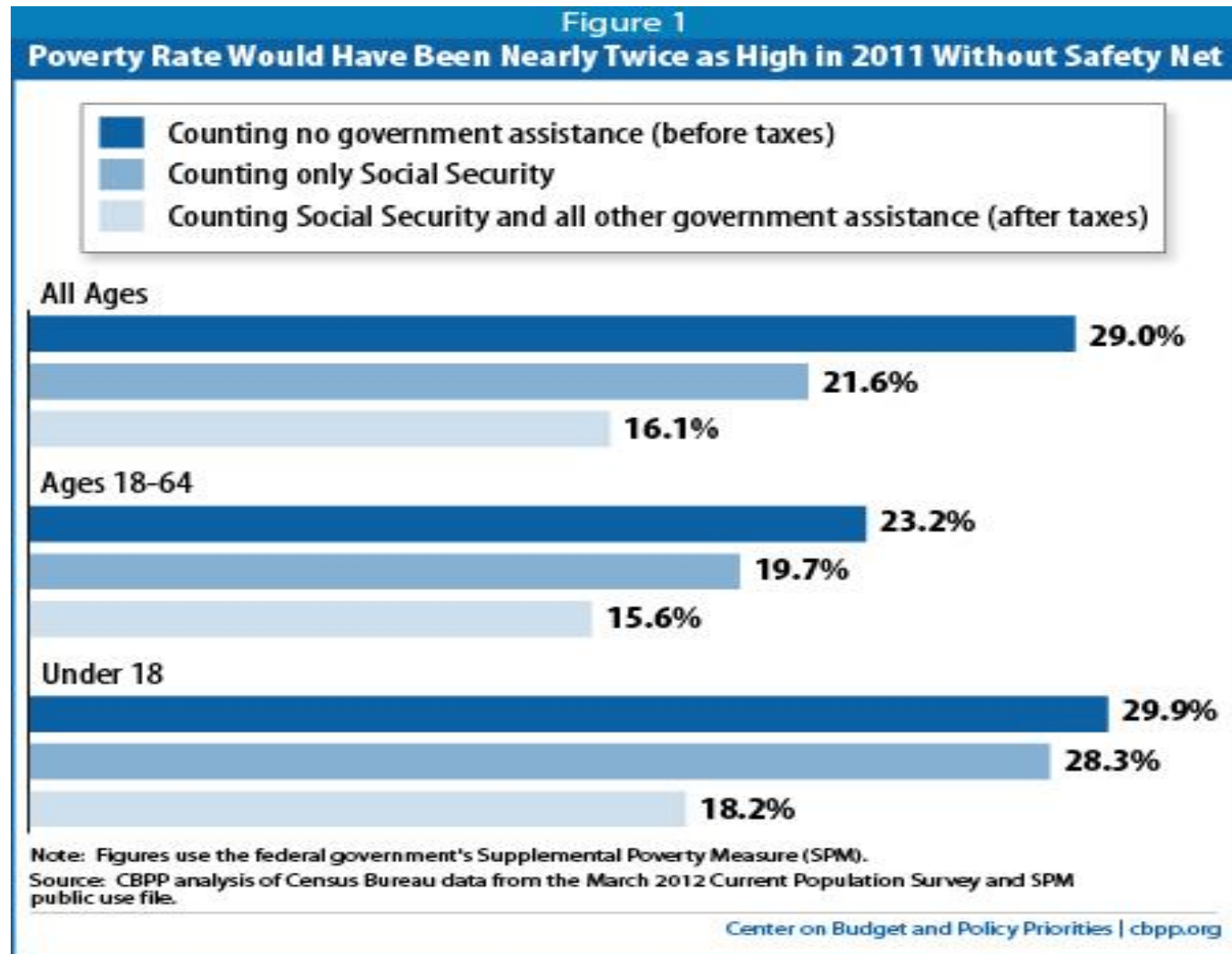


# **Creating an Inter-Generational Compact**

# **Why We Need an Inter-Generational Compact**

- **Widening gap in income & wealth in US**
- **Increasing intensification of poverty**
- **Racial disparities in health, mental health, education, housing, & employment**
- **These changes affect both young & old**

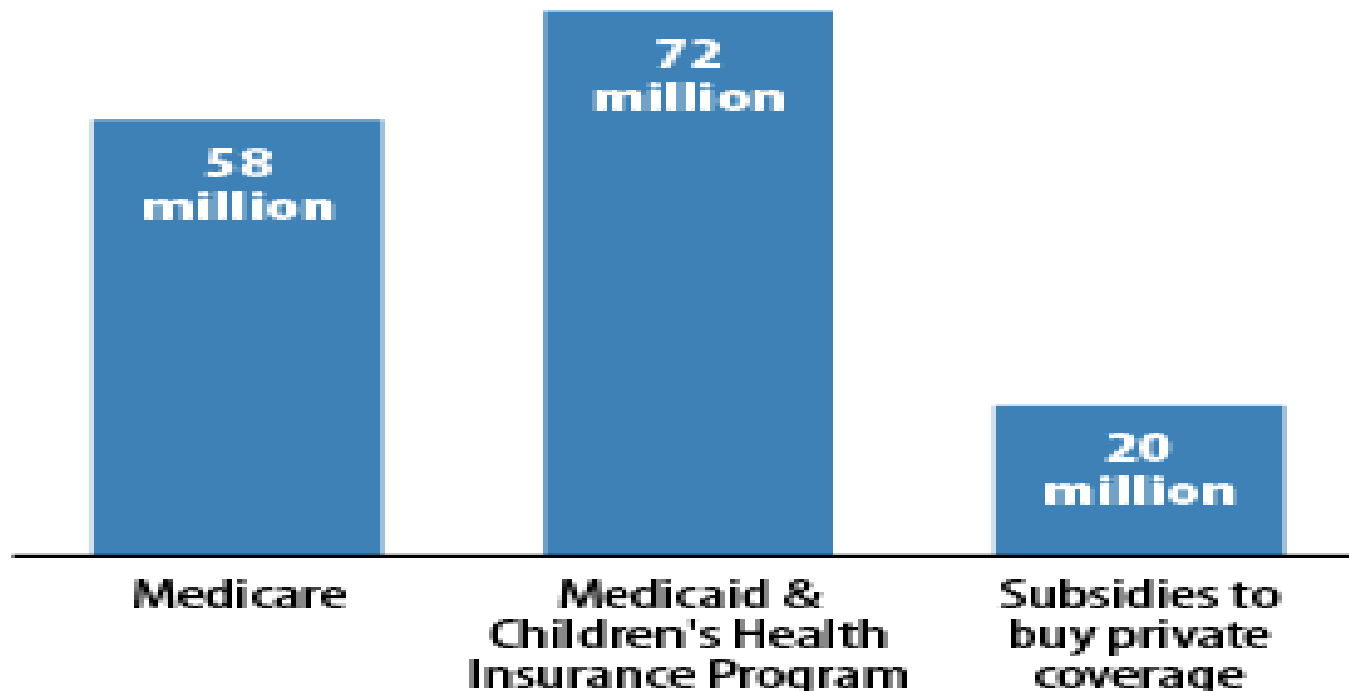
# The Impact of Today's Intergenerational Compact



# The Intergenerational Compact Today

## Public Programs Help Millions of Americans Obtain Health Care

Projected average monthly enrollment, 2017



Note: In 2009, 9 million individuals received benefits from both Medicare and Medicaid, which cover different expenses.

Source: Congressional Budget Office

# **The Intergenerational Compact in MD**

- **474,000 persons (105,000 children) kept above poverty line by public benefits between 2009-11**
- **245,000 (& 104,000 children) are kept above poverty line by means-tested programs alone**

# **Why Don't We Expand the Compact?**

- **Longstanding Resistance to SS & Medicare**
- **Focus on Fiscal Deficits & National Debt**
- **Social Welfare is the new wedge issue**
- **Myths Influence Policy Debates**

# **Myths About Social Security**

**1: Social Security is going broke.**

**2: We should raise the retirement age because people are living longer.**

**3: The trust funds are full of IOU's.**

**4: Social Security adds to the federal deficit**

# **The Real Long-Term Issues**

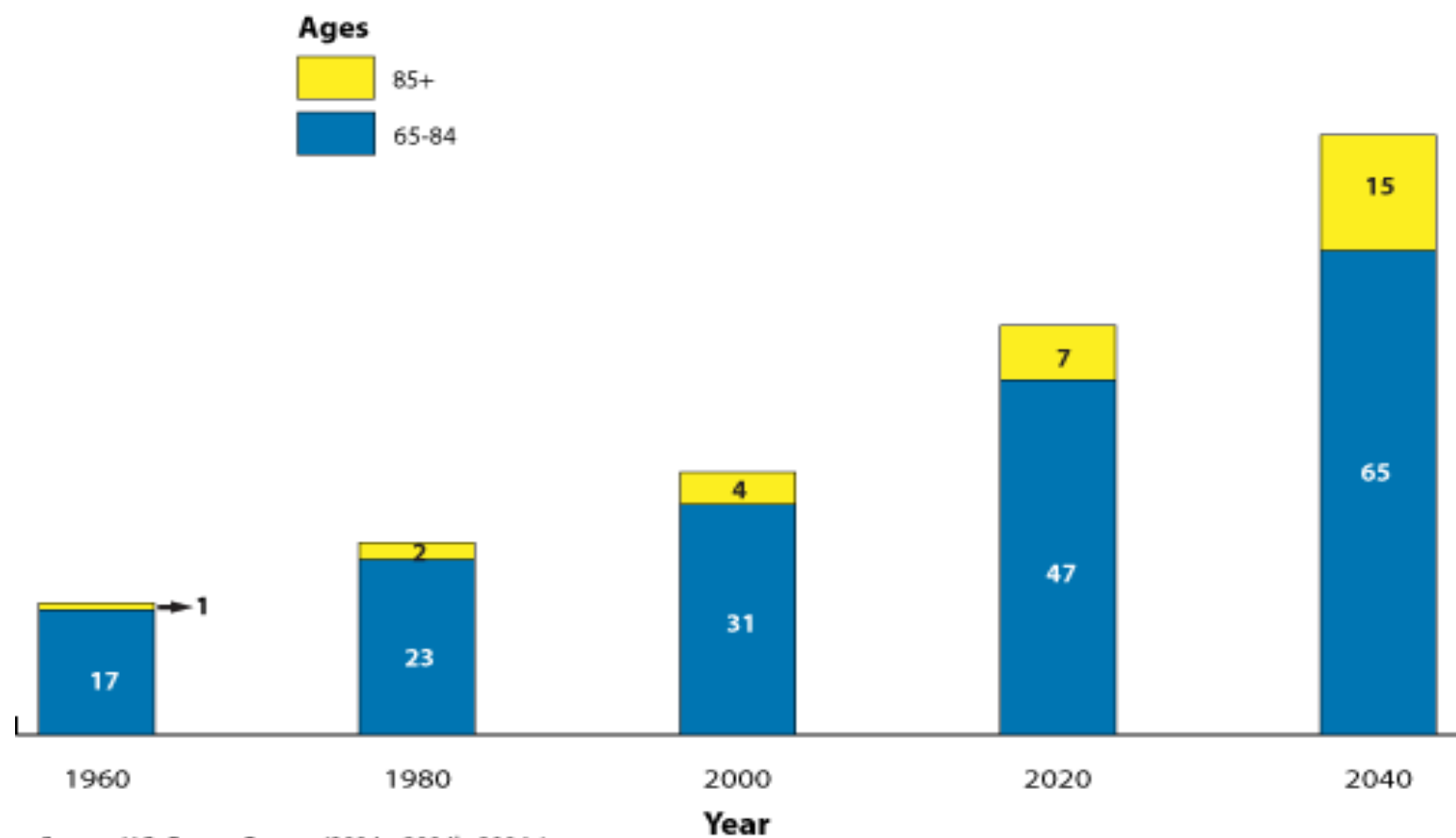
- **People are living longer (good news/bad news)**
- **Health care costs have soared, especially for 85+**
- **Worker-beneficiary ratio has dramatically declined**
- **Ratio of elderly to children shifted dramatically**

**Potential for inter-generational conflict:**

- **In 2050, elderly population will be 65% white & workforce will be more than 50% persons of color.**

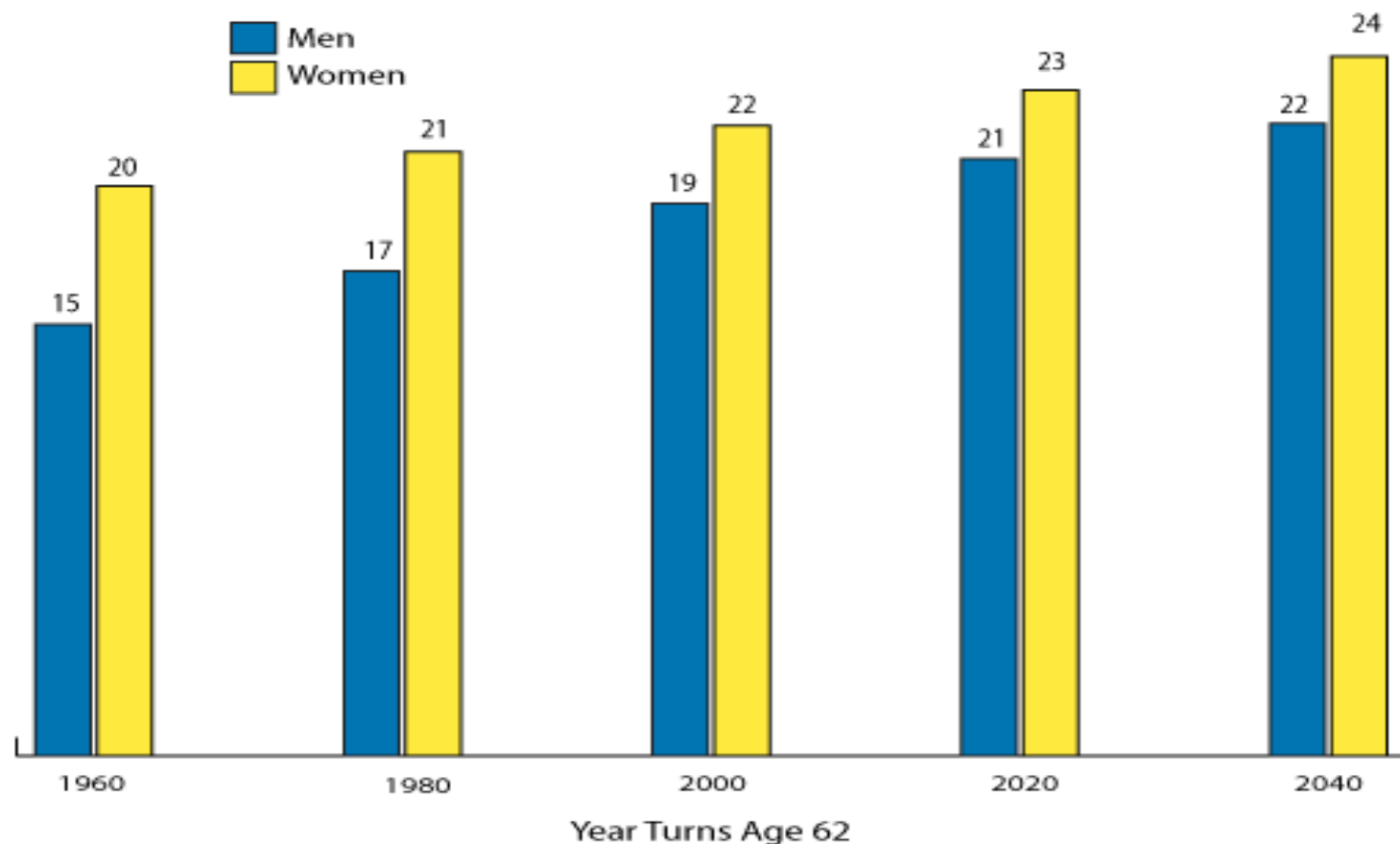


### Number of Older Americans, 1960-2040 (in millions)



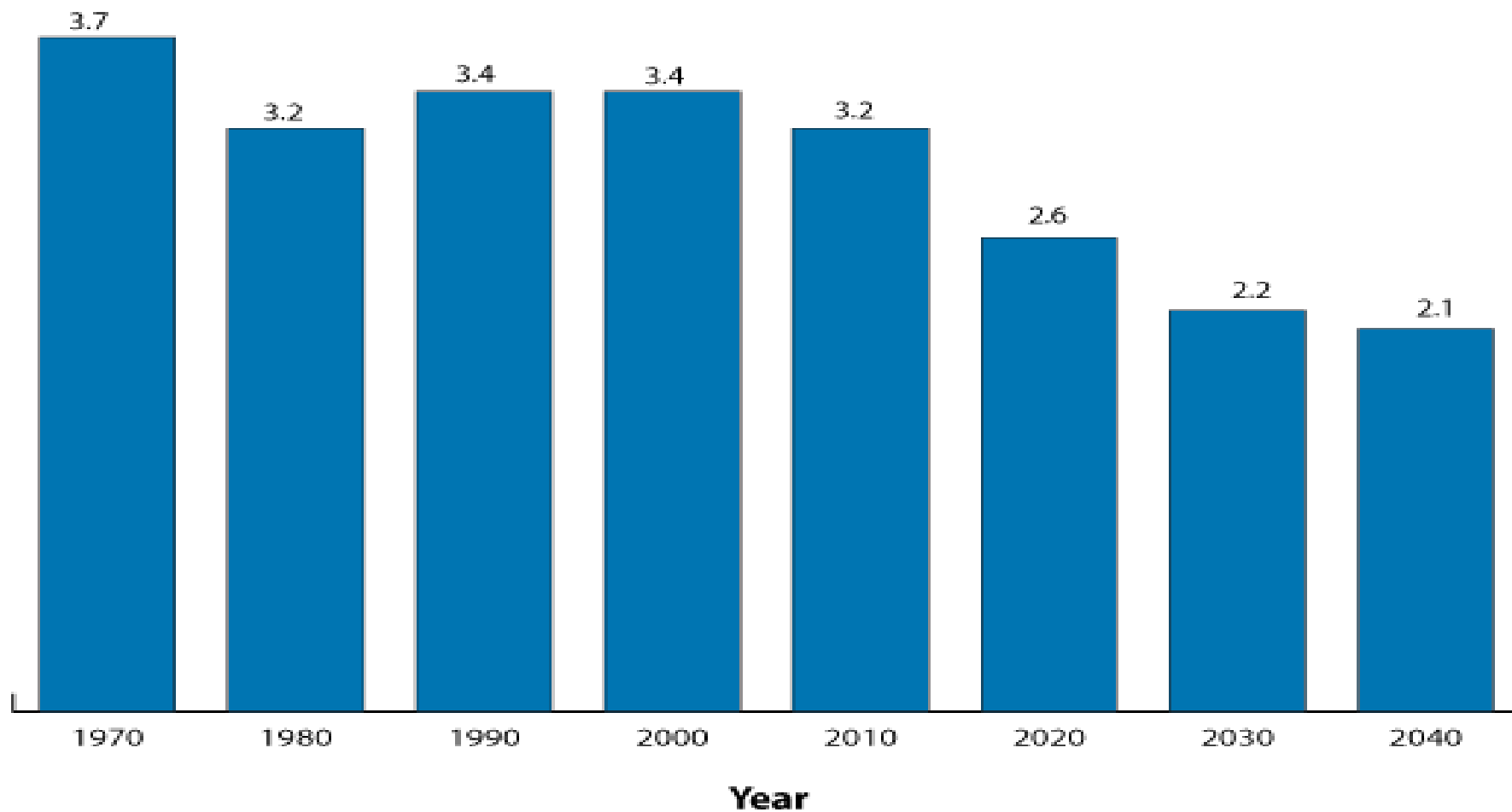
Source: U.S. Census Bureau (2004a, 2004b, 2004c).

### Remaining Years of Life Expectancy at Age 62, 1960-2040



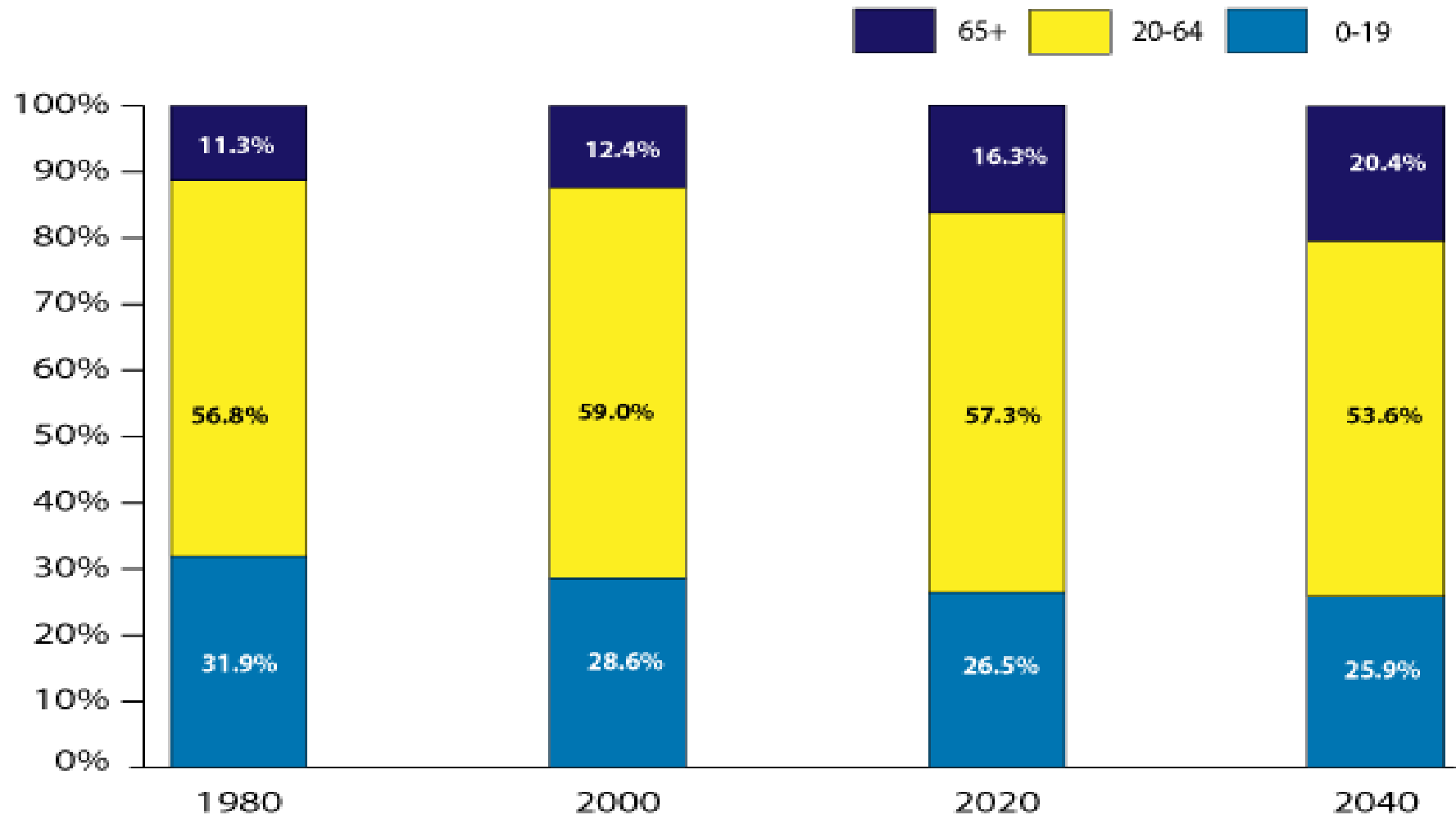
Source: Social Security Administration (2008c).

### Number of Workers Per Social Security Beneficiary, 1970-2040



Source: Table IV.B2 in Social Security Administration (2008b).

## Age Distribution of the Population, 1980-2040



Source: U.S. Census Bureau (2004a, 2004b, 2004c).

# **Americans Support the Intergenerational Compact**

- **~90% believe SS & Medicare are good for the US**
- **By a 2:1 margin, Americans think maintaining Social Security and Medicare benefits are more important than cutting the deficit**
- **By a 2:1 margin, Americans think people on Medicare already pay enough for health benefits**
- **~60% of Americans think low-income persons should not lose their Medicaid benefits**

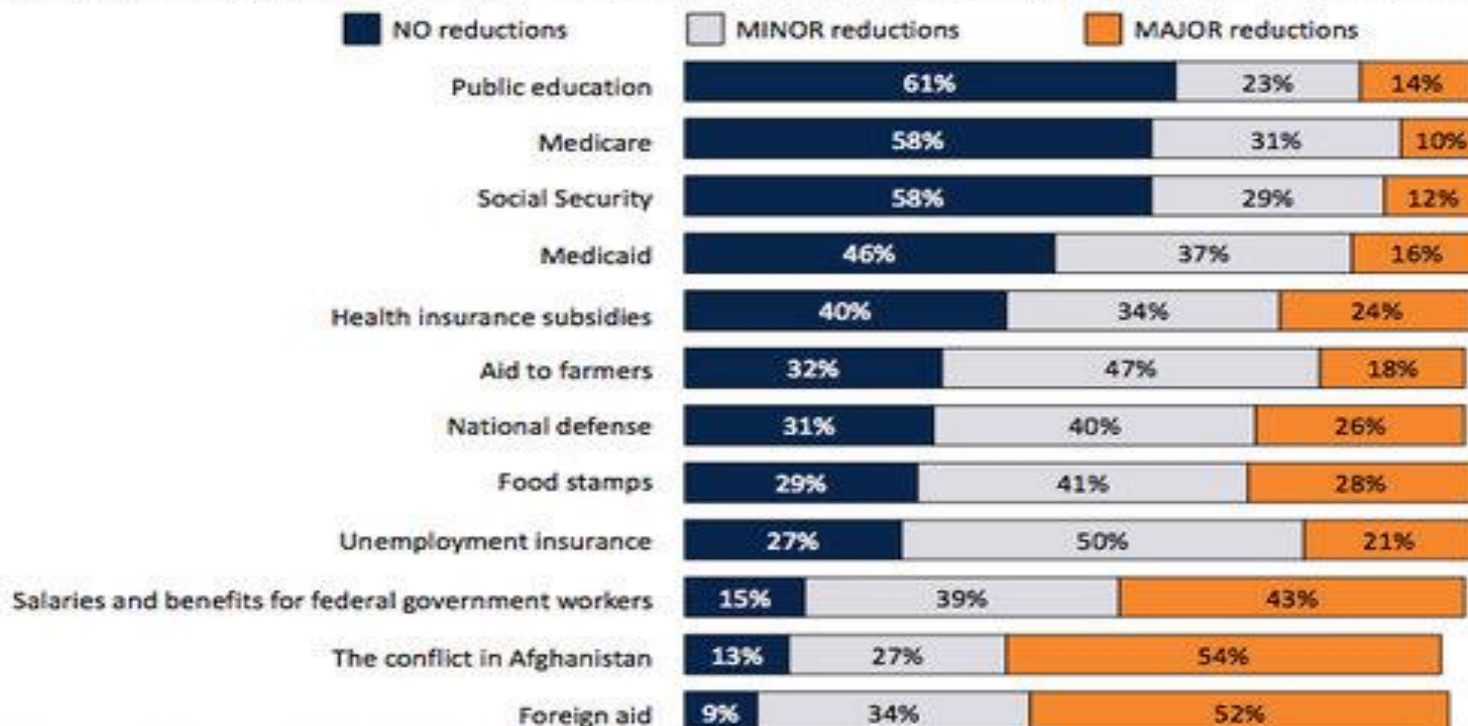
**(Source: Pew Research Center, June 15-19, 2011)**

# Americans Support the Compact

SLIDE 14

## Majority Want No Spending Cuts To Education, Medicare, And Social Security

If the president and Congress decide to reduce the deficit by reducing spending on federal programs and services, I'd like to know in which programs you would be willing to see spending reduced. For each program I name, please tell me if you would support major spending reductions, minor spending reductions or no reductions at all as a way to reduce the federal deficit.



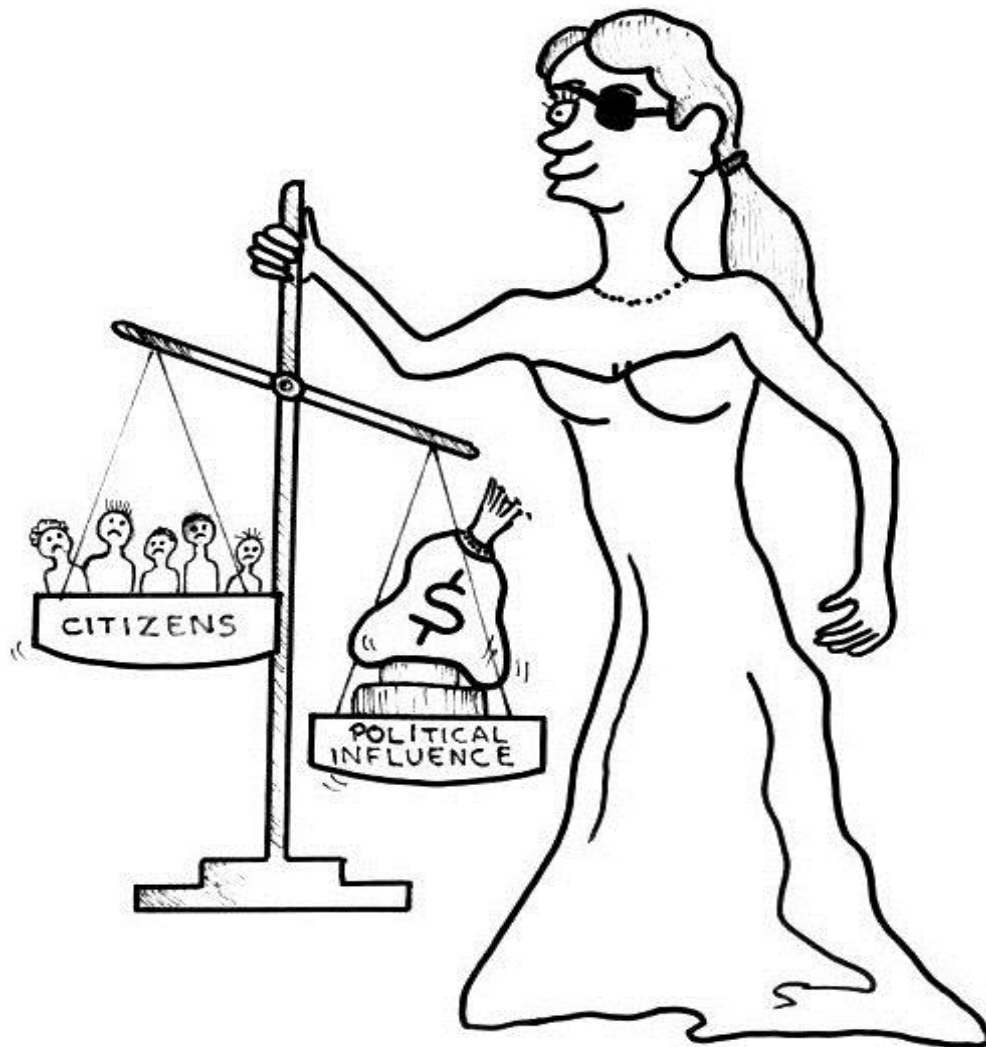
Note: Some items asked of separate half samples. Don't know/Refused answers not shown.

Source: Kaiser Family Foundation/Robert Wood Johnson Foundation/Harvard School of Public Health, *The Public's Health Care Agenda for the 113<sup>th</sup> Congress* (conducted January 3-9, 2013)

# **An Intergenerational Compact for the 21<sup>st</sup> century**

- **Save & Expand Social Security & Medicare**
- **Increase Employment, Wages, & Income**
- **Expand Social Services for all Families**
- **Improve the Education & Care of Children**

# The Challenge Ahead





**THANK YOU FOR YOUR ATTENTION**

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