

# American Social Welfare Policy: A Pluralist Approach

## Chapter 5

### Poverty in America

# The Culture of Poverty

- Poverty theories sometimes cycle in and out of fashion
- Eugenics and Poverty
  - *The Bell Curve*
- The Radical or Socialist View of Poverty
  - Ruling capitalist class

# Who Makes Up the Poor?

- For most Americans, poverty is a fluid condition
- Trends in poverty in the United States
  - Poverty rate; children; racial and ethnic groups; regionally; suburb/urban/rural

# Measuring Poverty

- There are two versions of the federal poverty measure:
  - (1) the poverty threshold (poverty line) and (2) the poverty guideline
- The poverty index

**TABLE 5.1** Persons below the Poverty Line, Selected Years and Characteristics, 1959–2010 (number and percentage below poverty, in thousands)

Year	Overall	Aged	Children <sup>a</sup>	Individuals in Female-Headed Families <sup>b</sup>	Blacks	Hispanic <sup>c</sup>	White
2010	46,180	3,520	16,401	15,895	10,675	13,243	31,650
	15.1%	9.0%	22.0%	34.2%	27.4%	26.6%	13.0%
2006	36,460	3,394	12,827	13,199	9,048	9,243	24,416
	12.3%	9.4	17.4	30.5	24.3	20.6	10.3
+2002	34,570	3,578	12,133	11,667	8,884	8,556	24,074
	12.1%	10.4	16.7	26.5	24.1	21.8	10.3
1999	32,258	3,167	12,109	12,687	9,091	7,439	21,922
	11.8%	9.7	18.9	27.8	22.7	22.8	9.8
1995	36,425	3,318	13,999	12,315	9,872	8,574	24,423
	13.8%	10.5	20.2	32.4	29.3	30.3	11.2
1990	33,585	3,658	14,431	12,578	9,837	6,006	22,326
	13.5%	12.2	20.6	37.2	31.9	28.1	10.7

1986	32,370	3,477	12,876	11,944	8,983	5,117	22,183
	13.6%	12.4	20.5	38.3	31.3	27.3	11.0
1980	29,272	3,871	11,543	10,120	8,579	3,491	19,699
	13.0%	15.7	18.3	36.7	32.5	25.7	10.2
1978	24,497	3,233	9,931	9,269	7,626	2,607	16,259
	11.4%	14.0	15.9	35.6	30.6	21.6	8.7
1969	21,147	4,787	9,961	6,879	7,095	NA	16,659
	12.1%	25.3	14.0	38.2	32.2	NA	9.5
1959	39,490	5,481	17,552	7,014	9,927	NA	28,484
	22.4%	35.2	27.3	49.4	55.1	NA	18.1

<sup>a</sup>These numbers may appear inconsistent because the U.S. Census Bureau changed the classification of races in the 2000 and 2010 census to include the designation of more than one race. In addition, the statistics were calculated slightly differently in different years.

<sup>a</sup>All children, including unrelated children.

<sup>b</sup>Does not include females living alone.

<sup>c</sup>People of Hispanic origin may be of any race; it is an overlapping category.

**TABLE 5.2** Changes in the Poverty Line Based on Income and Family Size, 1975–2010

## Income, Selected Years

Family Size	1975	1980	1985	1990	2003	2007	2010
1	\$2,724	\$4,190	\$5,250	\$6,652	\$9,393	\$10,787	\$11,139
2	3,506	5,363	7,050	8,509	12,015	13,884	14,218
3	4,293	6,565	8,850	10,419	14,680	16,218	17,374
4	5,500	8,414	10,650	13,359	18,810	21,386	22,314
5	6,499	9,966	12,450	15,572	22,245	25,791	26,439
6	7,316	11,269	14,250	17,839	25,122	29,664	29,897
7	9,022	13,955	16,050	20,241	28,544	34,132	34,009

# Families and Poverty

- Child Support Enforcement
  - Personal Responsibility and Work Opportunity Reconciliation Act
- Children in Poverty
- Poverty and the Elderly
  - Elderly poverty is higher within minority groups

# The Rural Poor

- About 7.8 million rural Americans live in poverty
- Many rural areas have poverty rates exceeding those of central cities
  - The rural poor are more likely than the urban poor to live in chronic long-term poverty

# Work and Poverty

- A Profile of the Working Poor
- Why Are There Working Poor?
- Underemployment and Unemployment
  - Unemployment rate
  - Underemployed
  - Discouraged workers

# Work and Poverty

- Frictional unemployment
  - Structural unemployment
  - Social wage
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- Dual Labor Markets
    - Primary labor market and a secondary labor market

# Work and Poverty

- Wages and Poverty
  - The Minimum Wage
  - The Living Wage Movement

**TABLE 5.3** Consequences of Increases in Unemployment

Pathological Indicator	Percentage Increase Due to Rise in Unemployment Increase	Rise in Incidence of Pathology
Total mortality	2.3	45,936
Cardiovascular mortality	2.8	28,510
Cirrhosis mortality	1.4	430
Suicide	1.0	270
Population in mental hospitals	6.0	8,416
Total arrests	6.0	577,477
Arrests for fraud and embezzlement	4.0	11,552
Assaults reported to police	1.1	7,035
Homicide	1.7	403

**TABLE 5.4** Value of the Minimum Wage, Selected Years

Year	Percent of Poverty Line for a Family of Three	Percent of Average Wage	Value of the Minimum Wage, 1995 Dollars	Minimum Wage, Nominal Dollars
1955	73	44	\$3.94	\$0.75
1960	88	48	4.75	1.00
1965	103	51	5.59	1.25
1968	120	56	6.49	1.60
1970	107	50	5.92	1.60
1975	101	46	5.71	2.10
1980	98	47	5.76	3.10
1985	81	39	4.76	3.35
1988	73	36	4.33	3.35
1989	71	35	4.13	3.35
1990	79	38	4.44	3.80
1993	75	39	4.50	4.25
1995	72	37	4.25	4.25
1997	83	42	4.89	5.15
2007	73	30	4.30	5.85

**TABLE 5.5** States with Minimum Wages above the Federal Rate, 2012

State	Minimum Wage (\$)
Alaska	\$7.75
Arizona	7.65
California	8.00
Colorado	7.64
Connecticut	8.25
District of Columbia	8.25
Florida	7.67
Illinois	8.25
Maine	7.50
Massachusetts	8.00
Michigan	7.40
Montana	7.65
New Mexico	7.50
Nevada	8.25
Ohio	7.70
Oregon	8.80
Rhode Island	7.40
Vermont	8.46
Washington	9.04

# Strategies to Combat Poverty

- IDAs
- Three Approaches to Combat Poverty
  - Curative approach
  - Alleviative approach to poverty
  - Preventive approach to poverty

**TABLE 5.6** Percentage of Persons in Poverty by State, Comparison between 2006 and 2010

State	Poverty % 2006	Poverty % 2010	State	Poverty % 2006	Poverty % 2010
United States	12.3	15.3	Missouri	11.4	15.3
Alabama	14.3	19.0	Montana	13.5	14.6
Alaska	8.9	9.9	Nebraska	10.2	12.9
Arizona	14.4	17.4	Nevada	9.5	14.9
Arkansas	17.7	18.8	New Hampshire	5.4	8.3
California	12.2	15.8	New Jersey	8.8	10.3
Colorado	9.7	13.4	New Mexico	16.9	20.4
Connecticut	8.0	10.1	New York	14.0	14.9
Delaware	9.3	11.8	North Carolina	13.8	17.5
Dist. Of Columbia	18.3	19.2	North Dakota	11.4	13.0
Florida	11.5	16.5	Ohio	12.1	15.8
Georgia	12.6	17.9	Oklahoma	15.2	16.9
Hawaii	9.2	10.7	Oregon	11.8	15.8
Idaho	9.5	15.7	Pennsylvania	11.3	13.4
Illinois	10.6	13.8	Rhode Island	10.5	14.0
Indiana	10.6	15.3	South Carolina	11.2	18.2
Iowa	10.3	12.6	South Dakota	10.7	14.4
Kansas	12.8	13.6	Tennessee	14.9	17.7
Kentucky	16.8	19.0	Texas	16.4	17.9
Louisiana	17.0	18.7	Utah	9.3	13.2
Maine	10.2	12.9	Vermont	7.8	12.7
Maryland	8.4	9.9	Virginia	8.6	11.1
Massachusetts	12.0	11.4	Washington	8.0	13.4
Michigan	13.3	16.8	West Virginia	15.3	18.1
Minnesota	8.2	11.6	Wisconsin	10.1	13.2
Mississippi	20.6	22.4	Wyoming	10.0	11.2

# World Poverty

- One indicator of severe poverty is the infant mortality rate
- Still another indicator of poverty is life expectancy
- Influences of global poverty
- Food insecurity

# America's Fringe Economy

- In 2008, America—and much of the world—experienced an economic crash
  - Not seen since the Great Depression of the 1930s
- The Unbanked and the Functionally Poor

# America's Fringe Economy

- Credit and the Poor
  - Preloaded or Stored Value Debit Cards
  - Telecommunications and the Alternative Services Market
  - The Furniture and Appliance Rental Industry
  - Pawnshops

# America's Fringe Economy

- Car Title Pawns
  - Payday Loans
  - Tax Refund Anticipation Loans
  - Check Cashing Outlets (CCOs)
- Transportation in the Fringe Economy

**TABLE 5.7** Draining EITC: 2002 Tax Preparation, RAL Fees, and Check Cashing

Type of Fee	Cost to Tax Filer	Drain on EITC Program (in millions)
RAL loan fee	\$ 75	\$363
Electronic filing fee	\$ 40	194
Document preparation/ application/handling fee	\$ 33	160
Tax preparation fee	\$100	484
Check cashing fee	\$ 57	110*
Total	\$305	1,311

\*This was based on 40 percent of low-income tax filers using a check cashing service.

# Conclusion

- Poverty is one of the most intractable problems in the United States
  - And elsewhere in the world
- Policymakers remain uncertain as to the precise causes of poverty
  - Most policymakers agree that employment is the best antipoverty program