

## 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.

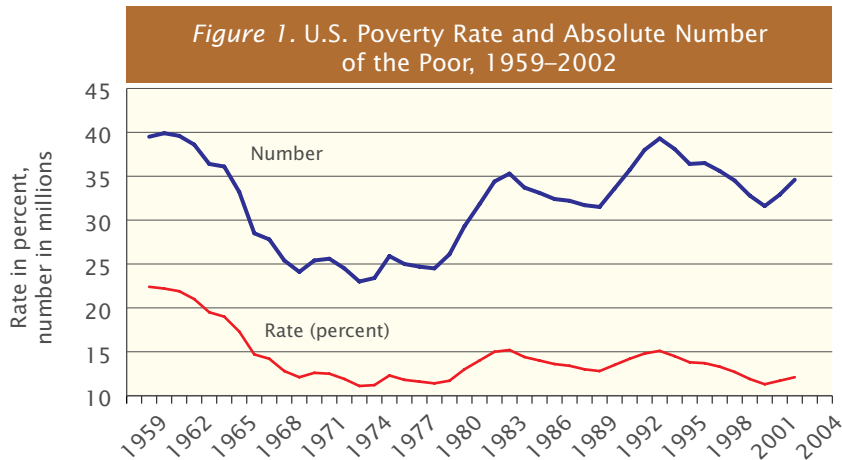
Since the recession that began in 2000, however, poverty levels have begun climbing again. Between 2000 and 2002, the number of Americans in poverty increased by 3 million—from 11.3 percent of the population in 2000 to 12.1 percent in 2002. In fact, today more than one in six children and one in eight 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 four 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.<sup>1</sup> 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



Source: Historical Poverty Tables, *Current Population Survey*, Bureau of the Census, U.S. Department of Commerce, Table 2, revised October 6, 2003, available online at <http://www.census.gov/hhes/poverty/histpov/hstpv2.html>.

population; the total number of poor citizens has fluctuated between 30 million and 40 million since the early 1980s.

The increasing poverty since 2000 has resulted in more impoverished American children—over 12 million under the age of eighteen—than there were thirty years ago.

According to the Children's Defense Fund, 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).<sup>2</sup>

### *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.<sup>3</sup>
- ◆ 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 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.<sup>4</sup> In 2002, 26.5 percent of female-headed households lived in poverty, compared to just 5.3 percent of households headed by married couples.<sup>5</sup>

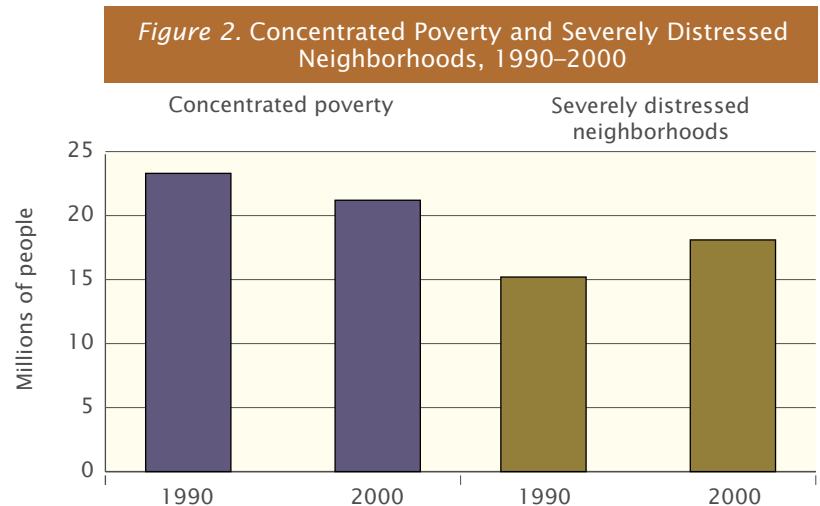
### *Trends in Concentrated Poverty*

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”:<sup>6</sup> the prevalence of female-headed families, high school dropouts, and working-age males unattached to the labor force.<sup>7</sup>

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 in-

creased 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.<sup>8</sup>

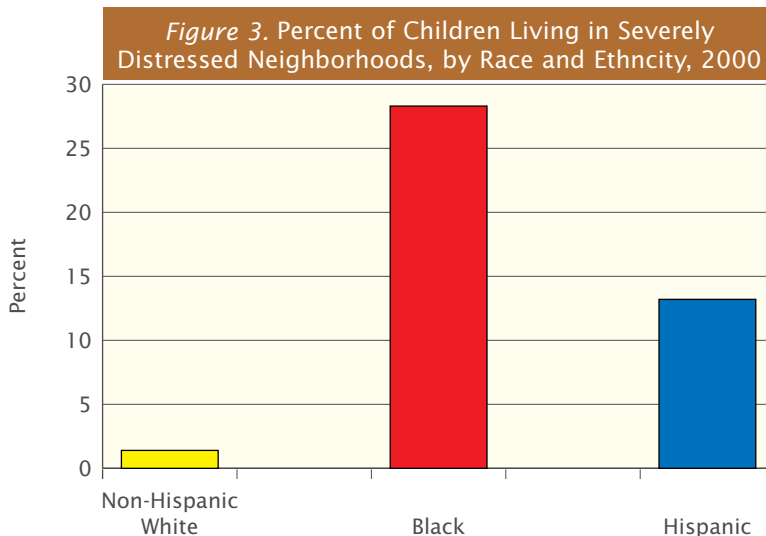


*Source:* William O'Hare and Mark Mather, "The Growing Number of Kids in Severely Distressed Neighborhoods: Evidence from the 2000 Census," Kids Count/PRB Report on Census 2000, Annie E. Casey Foundation, Baltimore, and Population Reference Bureau, Washington, D.C., October 2003, available online at [http://www.aecf.org/kidscount/distressed\\_neighborhoods.pdf](http://www.aecf.org/kidscount/distressed_neighborhoods.pdf).

## Race and Poverty

Poverty is concentrated not just geographically but racially as well. Today, 31.2 percent of black children and 28.4 percent of Hispanic children live in poverty, compared to 9.1 percent of non-Hispanic white children.<sup>9</sup>

Black and Hispanic children also are much more likely to live in severely distressed neighborhoods: 28.3 percent of all black children and 13.2 percent of all Hispanic



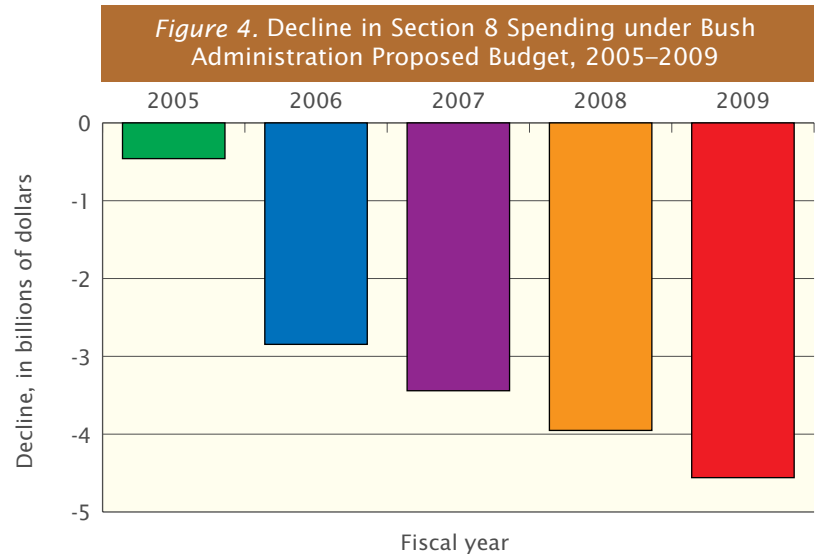
children are growing up in such communities (see Figure 3). Overall, of the 5.6 million children living in severely distressed neighborhoods, 55 percent are black and 29 percent are Hispanic (16.0 percent of all U.S. children are black and 17.3 percent are Hispanic). Only 1.4 percent of white children face such conditions.<sup>10</sup>

*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/kidscount/distressed\\_neighborhoods.pdf](http://www.aecf.org/kidscount/distressed_neighborhoods.pdf).

## Government Neglect

Unfortunately, government efforts geared toward helping the poor, including some that have had a demonstrably positive impact, have been or will be curtailed, while no new initiatives have been launched.

- ◆ The Department of Housing and Urban Development's housing voucher program, which enables low-income families to rent apartments from private landlords in middle-class neighborhoods, faces the knife. Even though the program has been shown to lift some adults out of poverty,<sup>11</sup> the Bush administration proposed reducing the funds available and the number of families eligible for vouchers<sup>12</sup> (see Figure 4).



Source: CBO Account-Level Data on Government Spending, Congressional Budget Office, February 27, 2004, p. 575, available online at <http://www.ombwatch.org/budget/pdf/CBO2005BaseLinevBush.pdf>.

- ◆ Beginning in 2001 and continuing through fiscal year 2005, at least forty-one states have restricted the availability of child-care funding for low-income families by increasing fees and tightening eligibility restrictions. Those changes include the withdrawal of child-care assistance when a family's income exceeds 150 percent of the poverty level, as many states have done; some reduced the threshold to 125 percent. (In 2004, a single mother of two earning \$23,505 per year was at 150 percent of the poverty level, while the same household at 125 percent would earn a mere \$19,587.) With the cost of child care consuming as much as 14 percent of a low-income family's budget,<sup>13</sup> these reductions threaten effectively to move many families down to the poverty threshold once again.
- ◆ Between fiscal years 2003 and 2005, at least thirty-eight states have introduced policies reducing Medicaid and the State Children's Health Insurance Program<sup>14</sup> coverage for low-income, nonelderly adults and children through enrollment freezes, premium increases, eligibility restrictions, and recertification requirements.<sup>15</sup> In 2003, the federal government gave states approximately \$10 billion to help pay for Medicaid expenditures, which persuaded some states not to make further cuts, at least temporarily.<sup>16</sup> Additional funds do not appear to be forthcoming.

## *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.

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## Notes

1. 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 \$18,850 for a family of four in 2004, 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 claims, "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://www.nccp.org/fact.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/poverty.shtml>.

2. See "2002 Facts on Child Poverty in America," on the Web site of the Family Income Division of the Children's Defense Fund, Washington, D.C., November 2003, available online at <http://www.childrensdefense.org/familyincome/childpoverty/basicfacts.asp>.

3. Richard D. Kahlenberg, *All Together Now: Creating Middle-Class Schools through Public School Choice* (Washington, D.C.: Brookings Institution Press, 2001), p. 30.

4. 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://crcw.princeton.edu/files/nationalreport.pdf>.

5. 2002 Poverty Tables, *Current Population Survey*, 2002 and 2003 Annual Social and Economic Supplements, Bureau of the Census, U.S. Department of Commerce, Table 2, available online at <http://www.census.gov/hhes/poverty/poverty02/table2.pdf>.

6. 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.

7. 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/kidscount/distressed\\_neighborhoods.pdf](http://www.aecf.org/kidscount/distressed_neighborhoods.pdf).

8. Paul A. Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s," Living Cities Census Series report, Center on Urban and Metropolitan Policy, Brookings Institution, Washington, D.C., May 2003, available online at <http://www.brook.edu/dybdocroot/es/urban/publications/jargowskypoverty.pdf>.

9. Historical Poverty Tables, *Current Population Survey: 1959–2002*, Bureau of the Census, U.S. Department of Commerce Table 3, available online at <http://www.census.gov/hhes/poverty/histpov/hstpov3.html>.

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

11. Jeffrey R. Kling et al., "Moving to Opportunity and Tranquility: Neighborhood Effects on Adult Economic Self-Sufficiency and Health from a Randomized Housing Voucher Experiment," paper studying results of the Moving to Opportunity demonstration project, U.S. Department of Housing and Urban Development, May 2004, available online at [http://post.economics.harvard.edu/faculty/katz/papers/mto\\_tranquility\\_0604.pdf](http://post.economics.harvard.edu/faculty/katz/papers/mto_tranquility_0604.pdf).

12. Barbara Sard and Will Fischer, "Administration Seeks Deep Cuts in Housing Vouchers and Conversion of Program to a Block Grant: Budget Could Cut Number of Families Assisted by 250,000 in 2005, and 600,000—or 30% of all Assisted Families—by 2009," Center on Budget and Policy Priorities, Washington, D.C., revised March 24, 2004, available online at <http://www.cbpp.org/2-12-04hous.htm>.

13. Linda Giannarelli, Sarah Adelman, and Stefanie Schmidt, "Getting Help with Child Care Expenses," occasional paper no. 62, Assessing the New Federalism project, Urban Institute, Washington, D.C., February 2003, available online at [http://www.urban.org/UploadedPDF/310615\\_OP62.pdf](http://www.urban.org/UploadedPDF/310615_OP62.pdf).

14. Medicaid provides insurance coverage to low-income children and certain low-income adults, while SCHIP extends coverage to children with family incomes below a state-specified percentage of poverty who are ineligible for Medicaid and do not have private insurance.

15. This number does not account for states that have cut payments to providers, which arguably reduces the availability and quality of services for patients.

16. Vernon Smith et al., "States Respond to Fiscal Pressure: A 50-State Update of State Medicaid Spending Growth and Cost Containment Actions," Kaiser Commission on Medicaid and the Uninsured, Henry J. Kaiser Family Foundation, Washington, D.C., January 2004, available online at <http://www.kff.org/medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=30453>.

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