ECONOMIC OPPORTUNITY AND POVERTY IN AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON
INCOME SECURITY AND FAMILY SUPPORT

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

FEBRUARY 13, 2007

Serial No. 110–11

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PRINTING OFFICE

35–776 WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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ECONOMIC OPPORTUNITY AND POVERTY IN AMERICA

TUESDAY, FEBRUARY 13, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:20 a.m., in room B–318, Rayburn House Office Building, Hon. Jim McDermott (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON INCOME SECURITY AND FAMILY SUPPORT

FOR IMMEDIATE RELEASE
February 06, 2007
ISFS–1

CONTACT: (202) 225–1025

McDermott Announces Hearing on Economic Opportunity and Poverty in America

Congressman Jim McDermott (D–WA), Chairman of the Subcommittee on Income Security and Family Support of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on economic opportunity and poverty in America. **The hearing will take place on Tuesday, February 13, 2007, in room B–318 Rayburn House Office Building, immediately after a brief Subcommittee organizational meeting beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include experts on issues related to international comparisons of poverty, the geographical distribution of poor individuals, income mobility, the relevance of Hurricane Katrina, and the official definition of poverty. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

According to the most recent statistics, there were 37 million Americans living in poverty in 2005, including nearly 13 million children. After prior years of decline, the number and percentage of Americans in poverty began to climb after the year 2000, resulting in an additional 5.4 million Americans living below the poverty line.

Research indicates that poverty, measured both on a relative and absolute basis, is more common in the United States than in many other relatively prosperous nations. Additional studies suggest that income mobility for children born into poverty in the U.S. may be limited, and that an increasing percentage of poor children have working parents. While still a particular problem in inner-city and rural areas, poor Americans have joined the general migration to the suburbs, with the suburban poor now out-numbering their counterparts in the cities. Against this backdrop, there continues to be a debate about how to best define and quantify poverty.

In announcing the hearing, Chairman McDermott stated, "We need to work to ensure the American dream can become a reality. Today, too many of our fellow citizens see that dream slipping away. Those in poverty feel trapped and the countless millions living paycheck to paycheck feel they could slip into poverty at any time. I hope this hearing and others to follow will illustrate the need for change."

FOCUS OF THE HEARING:

The hearing will focus on the extent and nature of economic opportunity and poverty in America.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee

website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "110th Congress" from the menu entitled, "Hearing Archives" (*http://waysandmeans.house.gov/Hearings.asp?congress=18*). Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You MUST REPLY to the email and ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business **February 27, 2007**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman MCDERMOTT. We will now open the regular meeting of—this is really our first hearing and we are quite excited about it because about a year and a half ago, Katrina exposed the brutal reality of poverty in this country I think in a way, that most mentioned never really had an opportunity to see it on television. They saw a side of our country which was quite surprising. Real people too poor to find a way to avoid the path of the storm and too forgotten to receive any immediate help. Even President Bush acknowledged America's shock and anguish at seeing so many with so little when he went to New Orleans, when he said we have a duty to confront this poverty with bold action.

Now, unfortunately, we haven't seen that kind of bold action, and for that matter, in many respects, any action in New Orleans. To really to shake us from that lethargy, I feel like we needed this special hearing in Congress, and with the American people about

the causes, the impacts and the potential solutions for poverty. If we can develop some level of common understanding about these issues, perhaps we can unite Republicans and Democrats under a common cause to actually act.

In today's hearings, as well as future hearings, they will hopefully play a role in that process. I am certainly not expecting any kind of immediate consensus on potential remedies on or even on all of poverty's causes, but I do think we can confront some of the basic facts here, which we will hear a few.

Our Nation has one of the highest poverty rates among all relatively prosperous nations. We will hear testimony today highlighting that fact as well as the fact that we spend a smaller percentage of our National wealth addressing poverty than most undeveloped nations.

Secondly, poverty is more prevalent in some places than others, but it exists throughout America. It is not located in a few pockets here and there. Poverty remains a significant problem, so painfully demonstrated in the Ninth Ward of New Orleans, but we actually have more poor Americans living in the suburbs than we do in the cities.

Thirdly, most poor children in our Nation have working parents. Work might be a requisite to have a chance to escape poverty, but it does not guarantee it. There are plenty of people work and kids living in families where both parents work and still living in poverty.

Finally, to those who say poverty is simply a result of bad choices by individuals, I want to ask them to remember three things: Most of us have made mistakes in our life, but we have gotten a second chance and often a third or fourth chance. The second chances are a lot harder to come by when you are living in poverty. Moreover, most people fall into poverty not because of bad choices, but because of bad luck, the circumstances of life over which they have really no control: Job loss, divorce, family illness, can all lead to a family's downward spiral into poverty.

Finally, the third thing I want you to remember is contrary to our best hope, there is not equal opportunity in this country. If you don't have access to a decent school or a safe neighborhood or a good job, your path to economic self-certainty is much, much harder. Personal responsibility is important but so too is society's obligation to help those with the least.

I look forward to having a discussion with these and other issues with the hope that greater understanding may bring us closer to working toward a solution.

Chairman MCDERMOTT. I would now like to yield to Mr. Weller for any comments that he may have. Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman, and thank you for convening this meeting. I certainly want to welcome our witnesses before us today and appreciate the time they are taking to be with us.

Today's hearing covers a broad range of issues, including not only issues relating to poverty, but also economic opportunity in this country. We have an equally broad set of experts to discuss these topics, including several who will provide accounts of their

continued struggles to lift their own families out of poverty, and I look forward to hearing that testimony.

Even as we explore how to reduce poverty and promote economic opportunity, it is important to note the progress that has been made in reducing poverty through welfare reform and other pro-work policies. Pro-work welfare reforms reduced poverty since 1996. In the past decade, the overall poverty rate has fallen by 7 percent. Child poverty rates have dropped by 13 percent and today over 1.4 million fewer children live in poverty. Poverty declined sharply among African Americans Hispanics and families headed by single mothers. Despite these gains, our ability to make long run progress remains in question, because more children are born each year into the type of households most likely to be in poverty, that is, households headed by single parents.

Today, 37 percent of all children are born to unmarried parents, which is both an all time high, and a number that will probably continue to rise. A recent Congressional research study report on children in poverty, which I would request we enter into the record for this hearing, shows children in such households at five times the poverty rate as children living with married parents. So, we have our work cut out for us.

We should also devote some time to how poverty is measured and how current programs are effective. We know most government programs are not counted today when measuring poverty. A reasonable person might wonder why. Some studies suggest if we had the full picture of the income and benefits families receive, the real poverty rate will drop to a low as of 5 percent instead of today's official poverty rate of nearly 13 percent.

Fortunately, we know what works and what doesn't to reduce poverty. Promoting full-time work and healthy marriage are the strongest weapons in our arsenal against poverty. Both of which are more effective than doubling welfare benefits. Achieving that will require engaging and challenging young adults, especially like those we will meet, to understand that their future and our country's future is really in their hands.

Government can and should promote equality of opportunity while providing a suitable safety net for those in need. No matter how hard it might try, government cannot ensure equality of outcome. That part depends on the good judgment and hard work of families. I look forward to our discussion and learning how we can increase opportunity for more families to climb up the economic ladder. Again, I welcome today's witnesses and thank you for convening this hearing.

Chairman MCDERMOTT. Thank you. We appreciate that and without objection, we will enter into the record the Congressional Research Service report that you mentioned. It is the one which I got the information about the fact that most of the kids are working in living in families where both parents are working.

[The information follows:]

Order Code RL32682

CRS Report for Congress

Children in Poverty: Profile, Trends, and Issues

Updated January 16, 2007

Vee Burke, Thomas Gabe, and Gene Falk
Domestic Social Policy Division

Prepared for Members and
Committees of Congress

Children in Poverty: Profile, Trends, and Issues

Summary

Child poverty persists as a social and economic concern in the United States. In 2005, 12.3 million children (17.1% of all children) were considered poor under the official U.S. definition. In records dating back to 1959, the incidence of poverty among related children in families has ranged from a peak of 26.9% in 1959 to a low of 13.8% in 1969. Poverty affects a child's life chances; by almost any indicator, poor children fare worse than their nonpoor counterparts.

Family living arrangements, indicated by the presence of just one or both parents, greatly affect the chances that a child is poor. In 2005, 42.8% of children in female-headed families were poor, compared to 8.5% of children in married-couple families. In that year, 23.4% of children were living in female-headed families, about double the share who lived in such families when the overall child poverty rate was at its historical low (1969). Children who are racial or ethnic minorities are at particular risk of being poor. In 2005, more than one-third of black children (34.2%) and more than one-fourth of Hispanic children (27.7%) were poor, compared to about one in 10 white non-Hispanic children (9.5%).

Work is the principal means by which families with children support themselves. Without family earnings, a child is almost certain to be poor. However, earnings often fail to overcome poverty. In 2005, close to one-third of all poor children lived with at least one adult who was a full-time, full-year worker; another one-third were in families with a worker who either worked part-year or (less likely) part-time; another third lived in families without an adult who worked during the year. Higher child poverty rates were observed for those whose parents had less, rather than more, education. Children of younger parents, with less potential time and experience in the workforce, were more likely to be poor than children of older parents. Additionally, dramatic gains have occurred in recent years in work by lone mothers — especially among those with preschool children. Employment rates of single mothers with children under age 3 rose from 35% in March 1993 to 59% in March 2000, before falling back slightly to 57% in March 2006. Nonetheless, many of these working single mothers (and their children) remained poor.

The social safety net for children consists of (1) earnings-based social insurance programs and (2) need-based transfers of cash and noncash benefits. Need-tested benefits have undergone a radical transformation during the past 20 years, capped by the 1996 welfare reform law. Cash welfare caseloads have plummeted since the reforms of the mid-1990s, so that many families receiving need-tested aid only receive noncash benefits (e.g., Medicaid and food stamps) whose value is not reflected in official poverty statistics. Further, the welfare reforms of the mid-1990s were accompanied by expansions of the Earned Income Tax Credit (EITC), which supplements the earnings of low-income families with children. (The value of the EITC is also not considered in official poverty statistics.) The result has been to curtail benefit availability for nonworking families while raising the returns to work. This report will be updated annually, when new Census Bureau data are released.

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Children in Poverty: Profile, Trends, and Issues

Introduction

Child poverty persists as a social and economic concern in the United States. In 2005,12.3 million children were considered poor under the official U.S. Census Bureau definition. The child poverty rate (the percent of all children considered poor) stood at 17.1% — well below the most recent high of 22% in 1992, but still well above its historic low of 13.8% in 1969. In 2005, 2.3 million more children were counted as poor than in 2000, when 15.6% of children were poor.

Child poverty reflects both family circumstances in which children reside and economic conditions and opportunities in communities where children live. Family living arrangements, indicated by the presence of just one or both parents, greatly affect the chances that a child is poor. In 2005, 42.8% of children in female-headed families were poor, compared to 8.5% of children in married-couple families. In that year, 23.4% of children were living in female-headed families, about double the share who lived in such families when the overall child poverty rate was at its historical low (1969). Children who are racial or ethnic minorities are at particular risk of being poor. In 2005, more than one-third of black children (34.2%) and more than one-fourth of Hispanic children (27.7%) were poor, compared to about one in 10 white non-Hispanic children (9.5%). In 2003 (the latest data available for this comparison), nearly two-fifths of poor children (39.4%) lived in poverty areas (census tracts with an overall poverty rate of 20% or more), and nearly one in 10 (9.4%) poor children lived in areas in which the overall poverty rate was 40% or more. Areas of concentrated poverty are often characterized by poor housing, high crime and unsafe neighborhoods, and poor schools.

Poverty affects children's life chances, their prospects of realizing their full potential, and their ability to successfully transition into adulthood.[1] By almost any indicator, poor children fare worse than their nonpoor counterparts. Poor children are at greater risk of poor physical health, delayed cognitive development, poor academic achievement, and risky behavior (particularly among children growing up in poor neighborhoods). Poor adolescent girls are more likely to become teenage mothers than their nonpoor counterparts, contributing to a cycle of poverty from one generation to the next.

While income poverty is associated with poor child outcomes, lack of income may account for only part of the reason why poor children face poor future prospects.

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[1] For an overview of research on the consequences of poverty for children, see Duncan, Greg J. and Jeanne Brooks-Gunn ed. *Consequences of Growing Up Poor*. Russell Sage Foundation, 1997.

Other factors are arguably as important, if not more so, than income, per se, in affecting children's life chances. Prolonged or deep income poverty among families with children may signal more chronic problems than merely a lack of income. Income support policies may help alleviate economic distress among such families, helping to provide families' basic needs; however, without other social supports or other, more fundamental changes in children's family circumstances, children's prospects may remain limited.

Welfare reform, passed by Congress in 1996 as the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, PL 104-193), eliminated the cash welfare entitlement program to poor families with children, Aid to Families with Dependent Children (AFDC). This was replaced by a broad-based block grant for Temporary Assistance for Needy Families (TANF) that provides funding for a wide range of benefits and services that extend well beyond income support through cash welfare. TANF funds may be used for any benefit or service that assists needy families with children, reduces welfare dependence among parents, reduces out-of-wedlock pregnancies, and promotes the formation and maintenance of two-parent families.

As of TANF's 10-year anniversary in 2006, family cash welfare rolls had fallen by more than 50% and employment rates of single mothers in the general population had risen dramatically. By 2000, nearly 2.8 million fewer children were poor than in 1996. But since then, much of the progress made toward reducing child poverty has eroded, with over 1.3 million more children being counted among the poor in 2005 than in 2000 (see **Figure 13**). Some of the reversal in progress may be attributed to the past recession and its effects on job attachment. However, the data also show an increased incidence of poverty among families who have at least one full-time, year-round worker.

To avoid poverty, most children need an adult breadwinner. The economic well-being of children usually depends on how well their parent(s) fares in the labor market. Children most at risk of poverty are in families without an earner. However, some are poor despite the work — even the full-time work — of a parent. They are among the working poor.

Numerous programs operate in the U.S. to aid children without a breadwinner, or with one whose earnings are low. These programs, together, constitute the main threads of this nation's income/social safety net:

- Social insurance programs (Social Security and Unemployment Insurance-UI) provide payments for children whose parent has paid payroll taxes but is now out of the workforce. Social Security benefits are paid to children whose parent(s) is dead, disabled, or retired. Unemployment insurance benefits are paid temporarily to some workers who have lost a job (most state UI programs do not provide dependents' benefits, however). Neither program imposes an income test. Benefits are an earned entitlement. Refundable tax credits (the federal Earned Income Tax Credit, or EITC, and the child tax credit) supplement low earnings of parents.

- Cash welfare programs make payments to some needy children and their parents. Major welfare programs for children are Temporary Assistance for Needy Families (TANF) and, for disabled children, Supplemental Security Income (SSI). These programs impose an income test (and, usually, an assets test). TANF seeks to move parents into the labor market and requires states to condition eligibility (beyond two months) on parental work. Most children who receive TANF have two able-bodied parents, but the second parent lives apart from them. Noncash welfare programs, such as food stamps, subsidized housing, Medicaid and the State Children's Health Insurance Program (SCHIP) provide in-kind benefits. These programs also are means-tested.

Government is challenged to maintain family self-support through work-based policies to promote parents' work and family economic self-sufficiency, while at the same time maintaining a safety net that prevents children from falling into abject poverty when parents are unable to work or their efforts are insufficient.

Child Poverty in 2005

In 2005, 12.3 million children[2] out of a total of 72.1 million lived in families whose pre-tax money income that year fell short of the poverty threshold. This translates into a child poverty rate of 17.1%.

As a group, children are more likely to be poor than are either the aged (persons aged 65 or older) or nonaged adults (persons 18 to 64 years old). **Figure 1** compares 2005 poverty rates of children, the aged, and nonaged adults. It shows that children were 69% more likely to be poor than the aged and that the incidence of poverty among nonaged adults was only slightly higher than that of the aged.

How is Child Poverty Measured?

The Census Bureau measures poverty by comparing money income of the child's family with income thresholds that vary by family size and composition. For this purpose, the Bureau counts only *money income before taxes* (and any capital gains). For 2005, the poverty threshold for a single parent with two children was $15,735; for two parents with two children, it was $19,806.

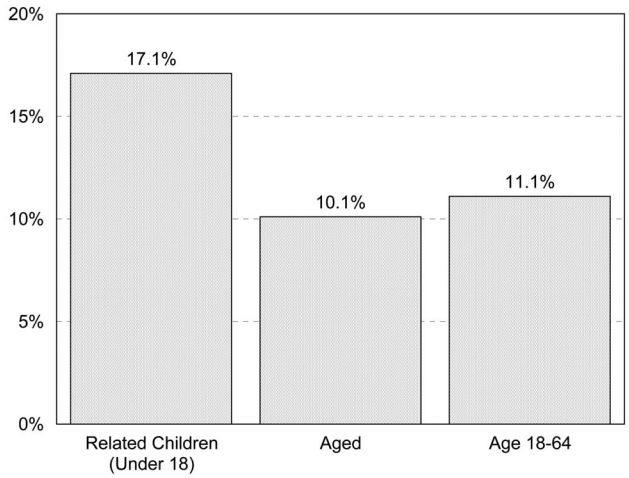
The official count of the poverty population takes into account all cash income (other than any capital gains) before taxes. Thus, it includes social insurance cash payments and cash welfare. It excludes noncash aid and tax credits. The Census Bureau also issues alternate poverty counts that assign value to major noncash benefits and tax credits, but they are not included in this CRS report.

[2] The Census Bureau defines related children under age 18 as children who are related to the household head. In March of 2006, there were 74.0 million persons under the age of 18, with 72.1 million meeting the definition of a related child. The remaining 1.9 million persons under the age of 18 who are not considered related children include (1) those who live in families all of whose members are not related to the head of the household; (2) children who are not living with relatives (e.g. foster children); and (3) persons under the age of 18 who are themselves household heads or are spouses of household heads.

There are some well-known correlates to child poverty. A child's risk of being poor varies by family structure and size and by race/ethnicity. Further, since children primarily rely on adult workers for income, child poverty also varies by the educational attainment and age (which is related to work experience) of the family's head, and (if present) spouse.

This section provides a profile of child poverty in 2005. Shown are child poverty rates by characteristics of the family, child, or family head and spouse. This perspective answers the question, among children, who are most at risk for being in poor families? This section also provides the composition of child poverty by those characteristics, answering the question who are the poor children?

Figure 1. Poverty Rates of Children, the Aged, and Nonaged Adults, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

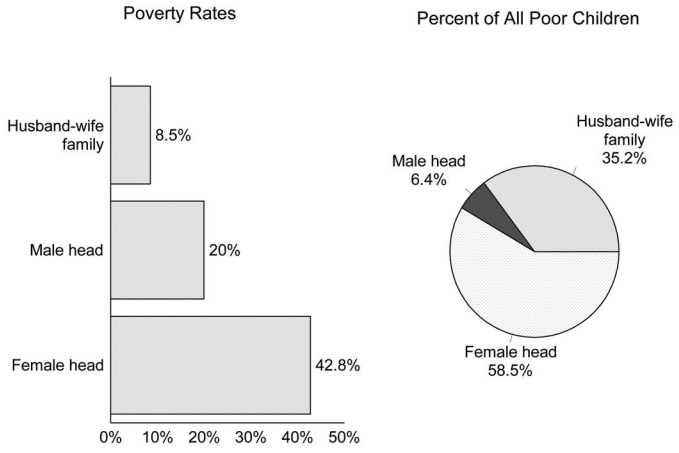
Child Poverty by Family Type

Living arrangements of U.S. children have undergone a dramatic shift since the 1960 census. In 1960, 88 out of 100 children lived with two parents. The proportion living with two parents averaged 81% during the 1970s, 75% in the 1980s, and 70% in the 1990s. Corresponding increases were registered by children living with mother only (the family type most afflicted with money income poverty): 8% in the 1960 census; 15% during the 1970s; 20% in the 1980s, and 23% in the 1990s. The data for children living with father alone: 1% in the 1960 census, 3% on average during the 1970s and the 1980s, and 4% during the 1990s. Finally, the share of children

living with neither parent averaged 3% during the 1970s and 1980s, but rose to 4% in the 1990s.[3]

Figure 2 presents data about poverty rates of children who lived in families in 2005. The bar chart presents 2005 child poverty rates by type of family. As it shows, children in married-couple families had a much lower poverty rate (8.5%) than those in lone-mother families (42.8%) or in father-only families (20.0%). The pie chart shows the composition of the 12.3 million related poor children. Female-headed families held the majority of poor children — 58.5%, or 7.2 million. Children in husband-wife families, despite their relatively low risk of poverty, comprised 35.2% of all poor children, or 4.3 million. The remaining 0.8 million poor children (6.4%) were in male-headed families (no wife present).

Figure 2. Poverty Among Related Children, by Family Type, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Because of the relatively high poverty rate among children in female-headed families, much of the policy discussion about child poverty centers on this group. Further, welfare reform debates are focused on lone-mother families, who make up about 90% of all cash welfare families. Therefore, much of this remaining profile provides information on the poverty rate and composition of poverty for children in single parent families as well as for all children.

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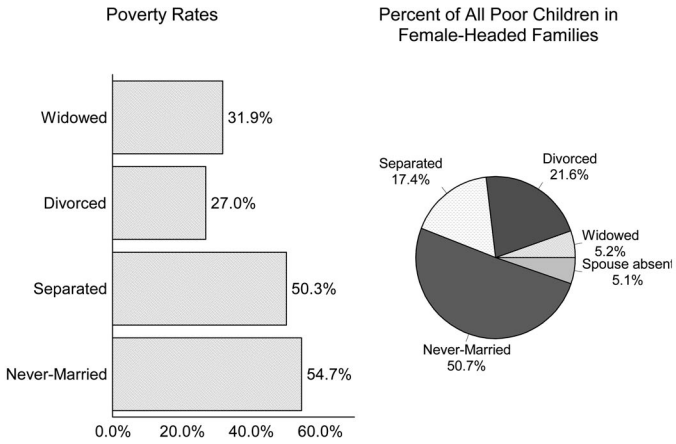
[3] U.S. Census Bureau, *Living Arrangements of Children Under 18 Years Old, 1960 to Present*, Table CH-1, Internet release date Sept. 15, 2004. See [http://www.census.gov/population/socdemo/hh-fam/tabCH-1.pdf].

Among children in female-headed families, poverty rates vary by whether the single mother had ever been married (see **Figure 3**). Children with mothers who never married are about twice as likely to be poor (a 54.7% poverty rate) as children whose mothers divorced (poverty rate of 27.0%). Moreover, the number of all children in families where the single mother never married now slightly exceeds the number of children in families where the mother divorced. Thus, children in families with never-married mothers account for a large share of poor children, just over half (50.7%) of all poor children in female-headed families.

Figure 3. Poverty Among Related Children in Female-Headed Families, by Marital Status of the Female Head, 2005



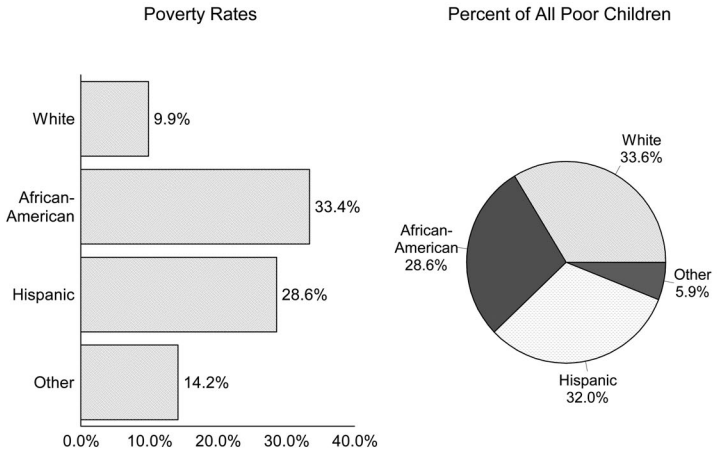
Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Child Poverty by Race and Ethnicity

Children in racial and ethnic minorities tend to have higher poverty rates than white children. **Figure 4** shows that in 2005, the poverty rate among African-American (non-Hispanic) children was 33.4% — 3.4 times the poverty rate for white (non-Hispanic) children of 9.9%. Hispanic children had lower poverty rates than African-American children, but higher poverty rates than white children.

Despite the variance in poverty rates by race and ethnicity, the populations of poor white, African-American, and Hispanic children are of about equal size. The larger population of white children, when multiplied by the lower poverty rates of this group, yields a number of poor white children about equal to the number of poor children in each of the two other racial/ethnic groups.

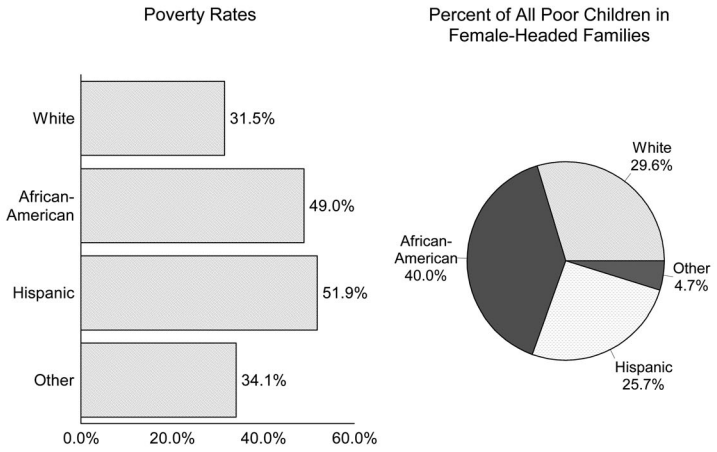
Figure 4. Poverty Among Related Children, by Race and Ethnicity, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Figure 5 shows poverty rates and the composition of poor children by race and ethnicity for children in female-headed families. As in the overall child population, minority children have higher rates of poverty than do white children — the poverty rates for African-American (49.0%) and Hispanic (51.9%) children are about 1.6 times that of white children in female-headed families (31.5%). However, African-American children comprise the largest group of poor children in female-headed families — accounting for four out of 10 poor children in female-headed families.

Figure 5. Poverty Among Related Children in Female-Headed Families, by Race and Ethnicity, 2005

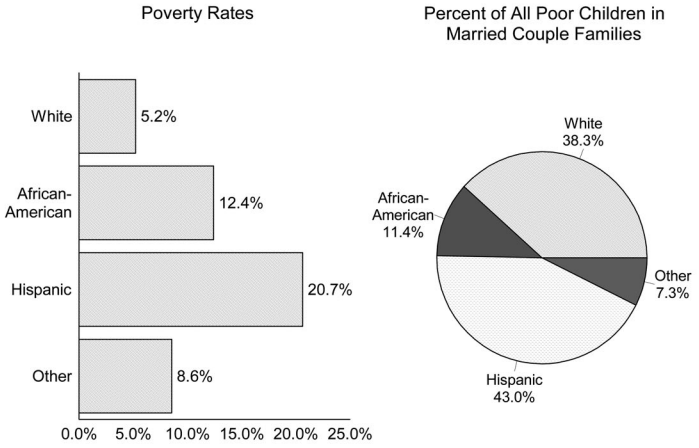


Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Additionally, Hispanic children are highly likely to be in married-couple families. (See **Figure 6**.) Among children in married-couple families, Hispanic children have a poverty rate (20.7%) higher than that of whites (5.2%) or African-American children (12.4%). Hispanics account for the largest share of poor children in married-couple families (43.0%).

Thus, Hispanic children in female-headed families have a slightly higher poverty rate than African-American children in female-headed families, and also have a substantially higher poverty rate than African-American children in married-couple families. However, their poverty rates among all children are lower than those for African-Americans. This is because Hispanic children are more likely than African-American children to be in married-couple families, and children in married-couple families have lower poverty rates than children in female-headed families.

Figure 6. Poverty Among Related Children in Married Couple Families, by Race and Ethnicity, 2005

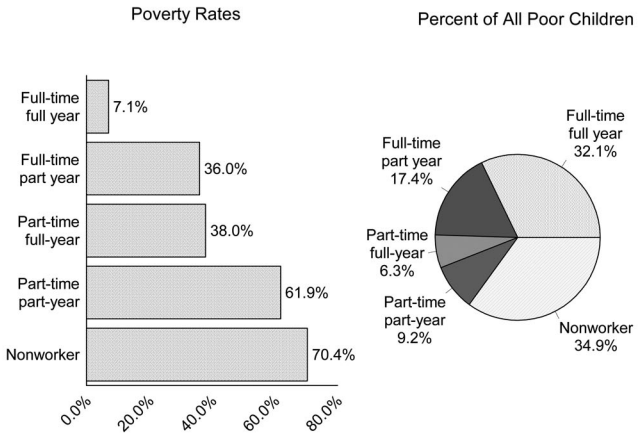


Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Child Poverty by Annual Work Experience of the Family Head or Spouse

If a family has no earnings, a child is almost certain to be poor. The poverty rate in 2005 for children without a working parent (or spouse of the family head) was 70.4% (bar chart in **Figure 7**). However, millions of children are poor even though the family head (or spouse) works full time, year round. In 2005, about seven out of 100 children with such a worker were poor. The number of these children totaled 4.0 million, and they accounted for 32.1% of all poor children (pie chart in **Figure 7**). Most children (77.8%, not shown on the chart) live in families where either the head or, if present, the spouse is a full-time, full-year worker. Hence, these children account for a relatively large share of all poor children even though their poverty rate is low. The bar chart shows that the incidence of poverty is about the same among children in families with a parent who works full-time part-year (36.0%) as among those in which a parent works part-time full-year (38.0%). However, poverty rates of children whose parents work only part time, and/or part year, are over five times that of children with a parent who works full-time, full-year (7.1%).

Figure 7. Poverty Among Related Children, by the Work Experience of the Family Head or Spouse, 2005

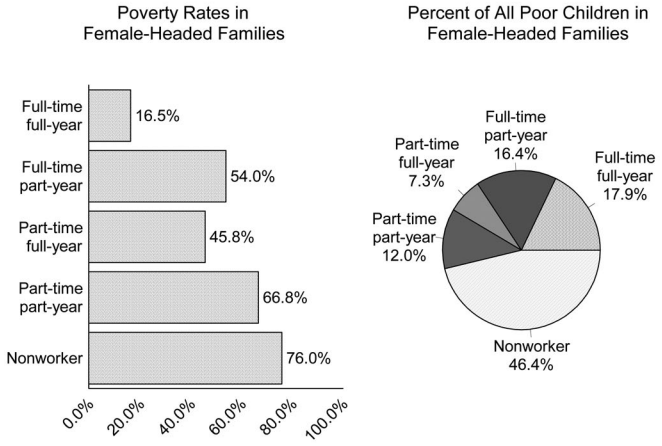


Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

The relationships between work experience for family adults over the year and child poverty also hold for children in female-headed families (though these families are without a potential spouse to supplement the work of the family head). Among children in female-headed families with at least one full-time, year-round worker, 16.5% were poor (bar chart in **Figure 8**). Of children in mother-only families without an earner, 76.0% were poor.

The pie chart in **Figure 8** depicts the composition of all poor children in mother-only families. Of these children, 17.9% — totaling 1.3 million children — lived in families where the mother was a full-time worker, year round. However, the pie chart also shows that 46.4% of all poor children in these families had a mother who did not work during the year. Though work among lone mothers has increased dramatically in recent years (discussed later in this report), 26% of all children in female-headed families had a mother who did not work. In comparison, only about 2% of all children in married-couple families had neither a mother or father in the workforce.

Figure 8. Poverty Among Related Children in Female-Headed Families, by Work Experience of the Female Head, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Child Poverty by Educational Credential of the Family Head or Spouse

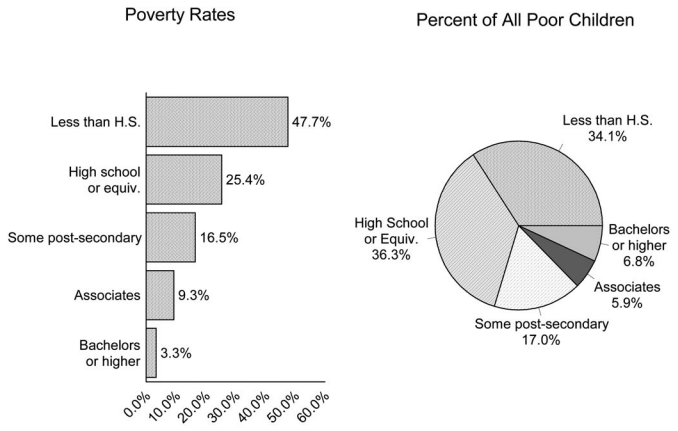
From 1960 to 2004, the share of the population (at least 25 years old) with a high school diploma (or more) has more than doubled, from 41.1% to 85.1%. In the same period the share with 4 or more years of a college education more than tripled, from 7.7% to 27.7%.[4] The returns to education have also increased over time, as the average wages of those with a college degree have increased relative to the average wages of those without such a degree. Increasingly, job applicants must have postsecondary credentials. By some measures, high school graduates and those who failed to complete high school have seen declining real wages.

Thus, child poverty rates depend in part on the educational level of the family head (or spouse). In 2005, almost half (47.7%) of children whose family head had not completed high school were poor. This group made up 34.1% of all poor children (see **Figure 9**). Children whose family head (or the family head's spouse) had completed high school, but not gone beyond it, had a poverty rate of 25.4% and represented 36.3% of all poor children. If the family head or family head's spouse

[4] U.S. Census Bureau, Table A-1, "Years of Schooling Completed by People Age 25 and Older," at [http://www.census.gov/population/www/socdemo/educ-attn.html].

achieved an associates degree, the child poverty rate was sharply lower (9.3%) than that of one with some postsecondary education, but no degree (16.5%).

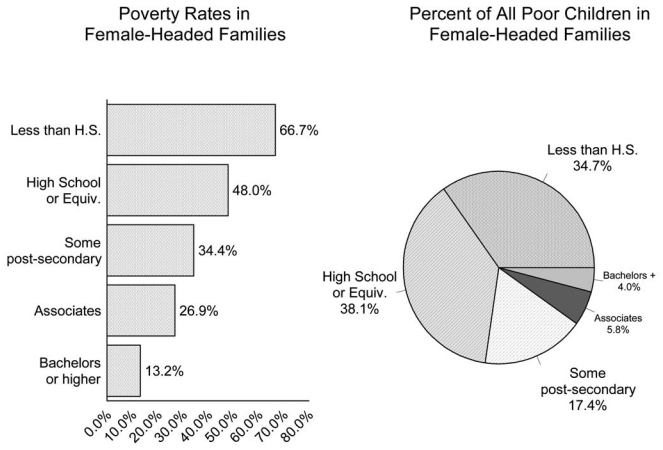
Figure 9. Poverty Among Related Children, by the Educational Attainment of the Family Head or Spouse, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

In 2005, two out of three children (66.7%) in families headed by a mother who failed to complete high school were poor (see **Figure 10**). This group represented 34.7% of all poor children in female-headed families. Attainment of a high school diploma reduced the child poverty rate, but it still was almost one-half (48.0%). As with the overall child population, poverty rates were much lower when the female head earned a college degree. Children in families where the female head received an associates degree had a poverty rate of 26.9%, compared with 34.4% for those who had some post-secondary education but no degree. Poverty rates were relatively low (13.2%) for children with female heads who had a bachelors degree or an advanced degree.

Figure 10. Poverty Among Related Children in Female-Headed Families, by Educational Attainment of the Female Head, 2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Child Poverty by the Age of the Head or Spouse

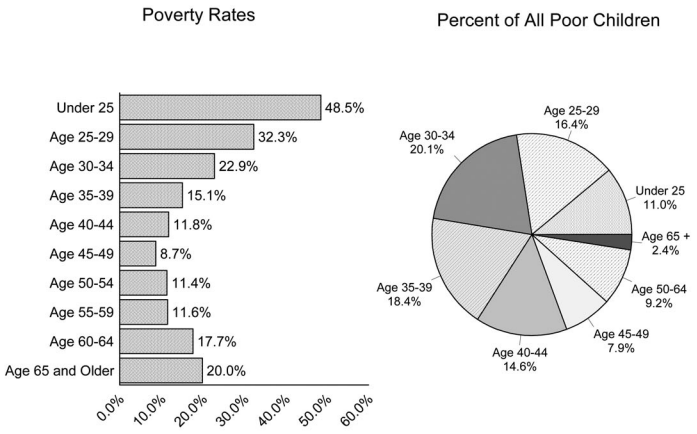
Child poverty rates are highest in *young* families with children. The poverty rate for preschool children (children under the age of six) was 20.0% in 2005, compared with a 15.7% poverty rate for older children. This is because, in part, these children have on average younger parents. Younger parents, who have less job experience in the workforce, tend to earn less than older adults with more experience.

Figure 11 shows the child poverty rate by the age of the household head or spouse if present. For married-couple families, the age of the older adult was used to determine the age of the head or spouse. It shows that child poverty rates tend to mirror the "life-cycle" pattern of earnings of adults. That is, earnings tend to be low in the early years, peak in middle age, and decline as adults approach and reach retirement age. This explains some of the pattern shown on the figure. However, children in families with a never-married female head (the group with the highest poverty rate) also tend to be in families where the head was young.

Children in families with the head or spouse under age 25 have the highest poverty rates, almost 50%. For children in families with a head or spouse aged 30 to 34, the poverty rate drops to 22.9%. Among poor children, close to half are in families with the head or spouse younger than age 35. Child poverty rates drop below the average rate for all children (17.1%) for age groupings with the head or

spouse over 35 and younger than age 60, but are higher than the overall rate for children in families with a head or spouse age 60 and older.

Figure 11. Poverty Rates Among Related Children, by Age of the Family Head or Spouse, 2005



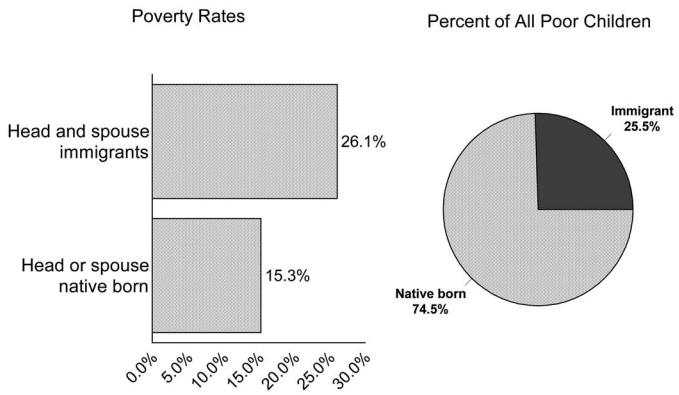
Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

The basic relationships between child poverty and age of the family's adults shown in Figure 11 also tend to hold for children in female-headed families: the highest poverty rates are for children with younger parents. (No figure is shown.) However, poverty rates for children in female-headed families are higher than for all related children for all age categories of the family head.

Child Poverty by Immigrant Status of the Family Head or Spouse

Figure 12 shows that slightly more than one out of every four poor children is the child of a parent born outside the United States. The poverty rate for these children in 2005 was 26.1%, compared with a rate of 15.3% for children whose family head or spouse was native born. From 1991 to 2005, almost 14 million persons immigrated to the United States. Any children born in the United States are citizens, regardless of their parents' citizenship status.

Figure 12. Poverty Rates Among Related Children, by Age of the Family Head or Spouse, 2005

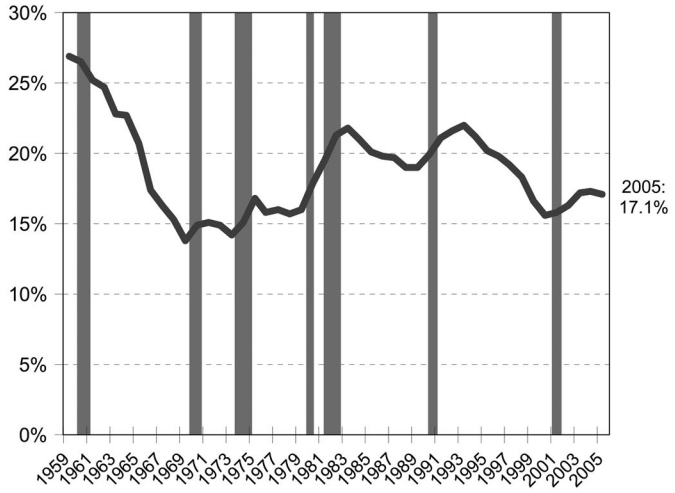


Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Trends in Child Poverty

Children have been more likely than any other age group in the U.S. to be poor since 1974, when their poverty rate first topped that of the aged. In records dating back to 1959, the incidence of poverty among related children in families has ranged from a peak of 26.9% (1959) to a low of 13.8% (1969). (See **Figure 13**). In 2005, the rate was 17.1%. Child poverty rates display both cyclical and longer term trends. Except for the 1961-62 recession, poverty rates rose during economic slumps, peaking in the year or two after the end of the recession.

Figure 13. Poverty Rates for Related Children, 1959-2005



Source: Congressional Research Service (CRS) based on data from the U.S. Bureau of the Census and the National Bureau of Economic Research.

Note: Shaded areas indicate periods of economic recession.

During the years covered by Figure 13, the poverty rate for the aged (not shown) fell from 35.2% in 1959 to 9.7% in 1999. The poverty rate for the aged stood at 10.1% in 2005.

Trends in Child Poverty Rates, by Type of Family

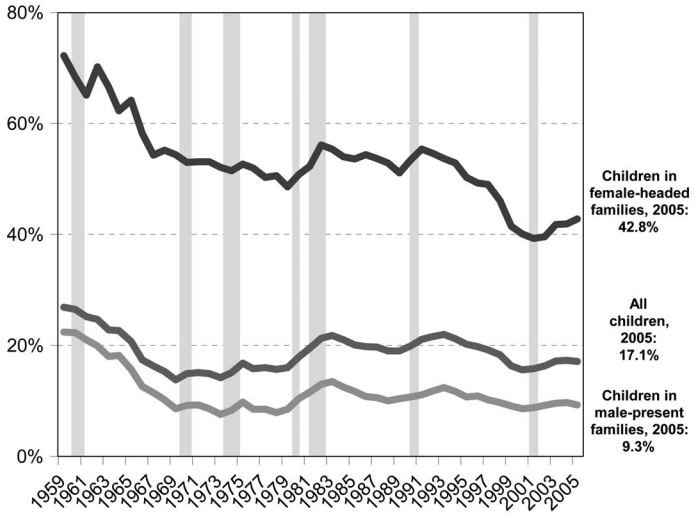
Figure 14 shows poverty rates of related children, by family type, from 1959-2005. Poverty rates for children in female-headed families have been higher than those for children in male-present (married couple or families with a male-head but no spouse) since poverty data have been recorded. The figure shows that poverty rates for both female-headed families and male-present families fell in the early period (1960s). Since then, much of the variation in poverty rates among children in male-present families has been cyclical.

Poverty rates for children in female-headed families show little cyclical variation in the first three recessions shown (1961, 1970-1971, 1974-1975). However, by the 1982-83 recession, poverty rates for children in female-headed families do begin to exhibit cyclical increases and decreases, likely attributable to increased labor force participation of women. Poverty rates for children in female-headed families also show pronounced secular (noncyclical) patterns. Rates during

the entire economic expansion of the 1980s were higher than in the mid- and late-1970s, coincident with the increase in the number of children of never-married mothers, who have high poverty rates compared to children in other types of female-headed families.

From the mid-1990s to 2000, in the wake of welfare reform, the drop in the poverty rate was more pronounced for children in families headed by a lone mother than for children in families with a male present. However, the increase in the poverty rate for children in single parent families from 2001 to 2005 was also more pronounced than the increase in the rate shown for children in families with a male present.

Figure 14. Child Poverty Rates by Family Type, 1959-2005



Source: Congressional Research Service (CRS) based on data from the U.S. Bureau of the Census and the National Bureau of Economic Research.

Note: Shaded areas indicate periods of economic recession.

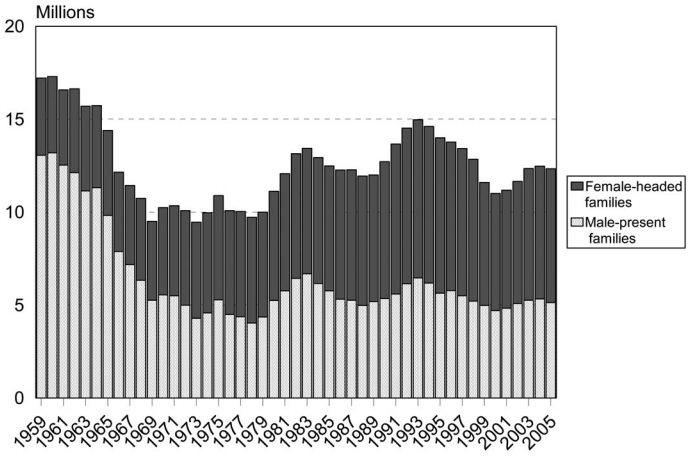
Trends in the Number and Composition of Poor Children

In 1959, the first year of official poverty data, 17.2 million children were counted as poor (see **Figure 15**). The poor child population declined through most of the 1960s and hovered around 10 million during the 1970s (with an all-time low of 9.4 million in 1973). During the 1980s the peak number was 13.4 million (1983); and during the 1990s, 15 million (1993). It rose in 2004 to 12.5 million. Since 1970, the number of poor children has fluctuated because of both the economy and

demographic trends (the number of related children under 19 fell from 70 million in 1968 to 62 million in 1978 before this number began rising again).

Figure 15 shows the number of poor children from 1959 to 2005 by family type. It shows both the variation in the number of poor children, and its changing composition. In 1959, most poor children and most children lived in married-couple families. Since 1972, the majority of poor children have been in female-headed families.

Figure 15. Number of Poor Related Children, by Family Type, 1959-2005



Source: Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

The historical trend toward an increased prevalence of children living in female-headed families has resulted in higher overall child poverty rates than would have otherwise been the case had children's living arrangements been unchanged over the past several decades. In order to approximate the effects of historical changes in living arrangements on the overall child poverty rate, we estimate overall child poverty rates based on the relative composition of children by family type that existed in 1960, while maintaining historically observed child poverty rates by family type.[5]

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[5] For example, in 1960, 9.2% of children lived in female-headed families, but in 2005, 23.4% lived in such families. In 2005, the poverty rate for children in female-headed families was 42.8%. If, in 2005, 9.2% of children had lived in female-headed families (i.e., the same share as in 1960), rather than the 23.4% observed, they would have numbered 6.6 million, rather than the 16.9 million observed. Assuming that the child poverty rate

(continued...)

Effectively, the adjusted poverty rates present a crude approximation of what the overall child poverty rate might have been had family composition remained unchanged from its 1960 level. **Figure 16** shows the effects of these adjustments. The top line of the figure shows historical child poverty rates, whereas the bottom line shows the overall *adjusted child poverty rate* had child family living arrangements been the same as those observed in 1960. The figure shows, for example, that in 2005 the child poverty rate was 17.1%, but had family composition in 2005 been the same as in 1960, the overall adjusted child poverty rate would have been 12.4%; instead of the observed 12.3 million children being counted as poor in 2005, had family composition remained unchanged from 1960, the number of poor children estimated by this method would have been 8.9 million, or 3.4 million fewer than the number observed.

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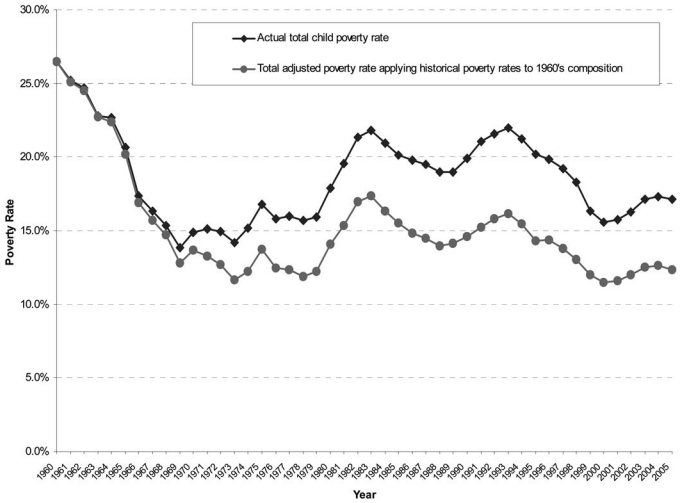
[5] (...continued)
remained at its 2005 level (i.e., 42.8% of children in such families being considered poor), then an estimated 2.8 million children in female-headed families would have been poor (i.e., .428 x 6.6 million) rather than the 7.2 million observed (i,e., .428 x 16.9 million). Considering then children living in male-present families, their estimated number in 2005, assuming 1960 incidence rates, would have been 65.6 million, rather than the 55.2 million observed. Applying the child poverty rate of 9.3%, in 2005, for children living in male-present families, to the number of children who would have been estimated to be living in such families when adjusted to 1960 incidence levels (65.6 million), the number of poor children in such families would be 6.1 million, rather than the observed 5.1 million. Although the estimated number of poor children in male-present families would be nearly 1 million higher, if family composition in 2005 was the same as in 1960, the number in female-headed families would be 4.4 million lower, for a net effect of 3.4 million fewer poor children in 2005, than what was actually observed. Based on these adjustments, the total number of poor children in 2005 would have been 8.9 million, rather than the observed 12.3 million, resulting in a child poverty rate of 12.4%, rather than the observed 17.1%.

Figure 16. Child Poverty Rates: Historic Rates and Adjusted Rates, Holding Family Composition at 1960 Levels



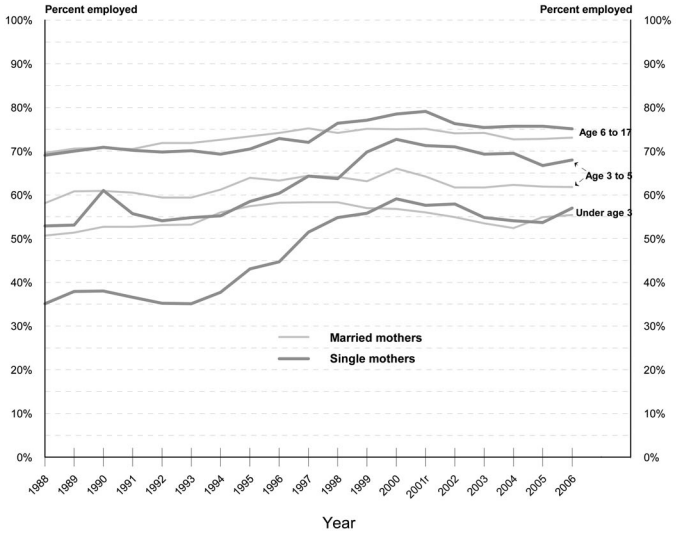
Source: Prepared by the Congressional Research Service (CRS). Based on analysis of U.S. Census Bureau Mar. 1988 to 2006 Current Population Survey (CPS) data.

Rise in Work by Lone Mothers

Dramatic gains have occurred in recent years in work by lone mothers — especially among those with preschool age children. Employment rates of single mothers with infants or toddlers (under age 3) increased markedly from 1993 through 2000, rising from 35.1% to 59.1% over the period (see **Figure 17**).[6] In 2000 their rate of employment overtook that of their married counterparts — in earlier years these single mothers' rate of employment had lagged behind their married counterparts by as much as 18 percentage points. Similarly, single mothers with somewhat older preschool age children (age 3 to 5) also experienced significant employment gains over most of the 1990s. Among these women, their employment rate rose from 54.1% in 1992, to 72.7% in 2000, overtaking their married counterparts in 1999. Employment rates among single mothers have yet to rebound to the peak levels attained prior to the last economic recession, marked as beginning in March 2001 and ending in November of that year.

[6] Employment rates are for March of the indicated year.

Figure 17. Employment Rates of Single and Married Mothers, by Age of Youngest Child, March 1988 to March 2006



Source: Prepared by the Congressional Research Service (CRS). Based on analysis of U.S. Census Bureau Mar. 1988 to 2006 Current Population Survey (CPS) data.

Note: r = Revised estimates based on expanded CPS sample and 2000 decennial census-derived.

Factors encouraging work by single mothers include a healthy economy during much of the 1990s, the transformation of the family cash welfare program into a work-conditioned and time-limited operation, increases in the EITC and increases in the federal minimum wage. TANF — and preceding state-waivered programs of Aid to Families with Dependent Children (AFDC) — converted cash assistance from a needs-based entitlement to a program of temporary help aimed at promoting work and personal responsibility. Under the TANF block grant, most states reward work by permitting recipients to add to their benefits some (or all) of their earnings, at least for a time. And most states have increased sanctions for failure to perform required work. Increases in the EITC, passed by Congress in 1993 and phased in between 1994 and 1996, have increased the financial incentive for single mothers to work.[7] Other factors, such as increased funding for child care subsidies, may also have contributed to making work possible for more single mothers. For more details about trends in welfare, work, and the economic well-being of lone-mother families with

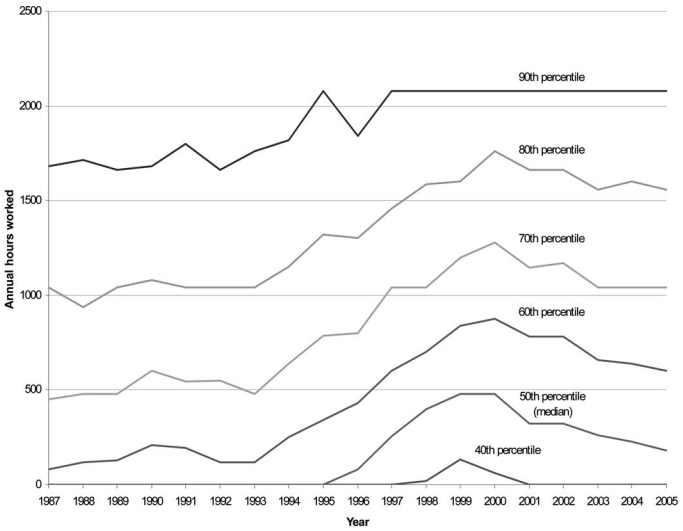
[7] Bruce D. Meyer and Dan T. Rosenbaum attribute 60% of the increase in single mothers' weekly and annual employment between 1984 and 1996 to the EITC. See their paper, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," NBER Working Paper No. 7363, Sept. 1999.

children, see CRS Report RL30797, *Trends in Welfare, Work and the Economic Well-Being of Female-Headed Families with Children: 1987-2004*, by Thomas Gabe.

How Many Single Mothers Are Poor Despite Working?

Figure 18 shows the trend in the distribution of annual hours worked by ***poor*** lone-mothers from 1987 to 2005. The figure shows, for example, that poor lone-mothers increased their job attachment during these years, based on annual hours of work. The picture of hours worked mirrors the employment rate numbers depicted earlier, in Figure 17. Hours worked among poor lone-mothers increased over the same period in which their employment rates were increasing. Lone-mothers are not only more likely to be working in the later years than in earlier years, but are likely to be working more hours. For example, in 1995, half of all poor lone mothers did not work, as indicated by the median number of hours worked (i.e., estimated hours worked was zero at the 50th percentile). By 1999 and 2000, half of all poor single mothers (the 50th percentile) were working nearly 480 hours per year or more, and in 2000 20% (80th percentile) were working 1,760 or more hours. The figure shows the decline in hours worked since 2000, for all but the top 10% of poor working mothers (90th percentile), probably reflecting the effects of the last recession on poor mothers' work attachment.

Figure 18. Annual Hours Worked by Poor Mothers in Mother-only Families at Various Percentile Rankings of Hours Worked, 1987 to 2005



Source: Estimates prepared by the Congressional Research Service based on U.S. Census Bureau Mar. 1988 through 2006 Current Population Survey (CPS) data.

Overall, among all types of families with related children, Census Bureau data show that the incidence of "full-time work poverty" increased somewhat from 1987 to 2005. Among all children, the rate at which at least one of their parents were full-time, full-year workers increased from 71.8% in 1987 to 79.8% in 2000, and stood at 77.8% in 2005 (see **Table 1**). The decline since 2000 was due, at least in part, to the 2001 recession and unemployment in its aftermath. Tracking this trend, the percent of *poor* children in families where one parent was a full-time, year-round worker rose from 19.6% of poor children in 1987 to 35.4% of poor children in 2000, before falling to 30% in 2003. It stood at 32.1% in 2005. The share of children in families with lone mothers who worked full-time year-round also increased fairly sharply, from 8.3% in 1987 to 21.6% in 2000, falling to 16.6% in 2003, before rising again to 18.6% in 2004. In 2005, the share of children in such families was 17.9%. Increases in the share of poor children in families with a full-year full-time worker were also observed for poor children in married couple families.

Table 1. Percent of Related Children in Families Below the Poverty Threshold with at Least One Full-Time, Year-Round Worker, 1987-2005

Year	Percent of children in families with a full-time, year-round working parent	Percent of poor children with a full-time, year round working parent		
		All families	Married couple families	Mother-only families
1987	71.8	19.6	36.5	8.3
1988	72.7	22.6	40.8	10.3
1989	72.3	22.4	41.2	9.4
1990	72.5	22.6	39.2	9.7
1991	71.3	20.8	37.3	10.4
1992	71.7	19.9	36.0	9.9
1993	71.4	21.5	38.8	9.6
1994	72.7	24.3	45.5	10.9
1995	73.9	25.4	44.6	14.1
1996	74.9	24.8	47.3	10.2
1997	75.5	25.4	45.7	13.2
1998	76.6	31.5	55.0	17.6
1999	78.4	31.4	51.4	18.6
2000	79.8	35.4	57.8	21.6
2001	78.4	31.9	53.3	18.7
2002	77.6	33.4	49.1	19.0
2003	76.6	30.0	52.6	16.6
2004	77.4	32.7	55.7	18.6
2005	77.8	32.1	56.3	17.9

Source: Table prepared by the Congressional Research Service, based on data from the U.S. Census Bureau.

Government "Safety Net" Policy

The framework for federal cash income support policy can be found in the Social Security Act and the Internal Revenue Code. A two-tier safety net was put into place in the 1935 Act. The first tier, consisting of Old-Age Insurance (usually thought of as social security) (Title II) and unemployment insurance (Title III) aimed to protect families from the economic risks associated with the retirement or unemployment of their workers. Workers earned rights to these social insurance benefits by paying payroll taxes in a covered job. The second tier made grants to states to help make means-tested payments to specified categories of needy persons not expected to work, namely, the aged (Title I),[8] children (with only one able-bodied parent in the home) (Title IV), and the blind (Title X).

Added to the social insurance tier over time were Survivors' Insurance (1939 Social Security Act Amendments), Disability Insurance (1956 Amendments), and Medicare (1965 Amendments) health insurance for the elderly. Added to the welfare tier over time was aid for needy persons who were permanently and totally disabled (1952), replaced in 1972 by a 100% federal cash program for the aged, blind, and disabled called SSI. Health insurance for low-income aged, blind, and disabled persons and for needy families with children was added in the form of the Medicaid program (1965 Amendments). Health insurance for low-income children ineligible for Medicaid was added by enactment of the State Children's Health Insurance Program (SCHIP) (Balanced Budget Act of 1997). Also, the cash welfare program for needy children was opened up to some unemployed two-parent families (1961) and, finally (1996) was replaced by a block grant for temporary assistance.

The social insurance programs are designed to provide benefits when a family loses earnings because its breadwinner is permanently or temporarily out of the labor market (through death, disability, unemployment). At the outset the welfare programs were restricted to persons not expected to work, but over time, work requirements have been added to the cash welfare program for families with children, and it now places great stress on moving families from welfare to work.

In 1975, Congress enacted a program to explicitly support and supplement the income of working poor parents — the EITC. This provision of the tax code makes payments from the Treasury to parents whose credit exceeds any income tax liability. In tax year 2004, the EITC was claimed on 22.4 milllion tax returns, with credits totaling $40.7 billion.[9]

In addition, child care subsidies have been expanded for families receiving cash welfare by the Family Support Act of 1988, the Omnibus Budget Reconciliation Act of 1990, which created child care programs for the working poor, and the 1996 welfare reform law, which consolidated child care funding. FY2006 appropriations

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[8] Aid to the needy aged was placed in Title I as the most popular provision of the Social Security Act.

[9] See CRS Report RS22316, *The Earned Income Tax Credit (EITC): Percentage of Total Tax Returns and Credit Amount by State,* by Christine Scott.

for child care totaled $5 billion ($2.9 billion for the mandatory child care block grant and $2.1 billion for the discretionary Child Care and Development Block Grant).[10]

Finally, the federal child support enforcement program (begun in 1975) has shifted its role from reimbursing federal and state governments for welfare costs to facilitating income transfers to families with children where one parent (usually the father) is noncustodial. The increased role of child support is particularly important in light of the growth of female-headed families. In FY2005, child support enforcement offices collected $23 billion: $1 billion for TANF cash welfare families, $9.3 billion for former TANF cash welfare families, $2.3 billion for families receiving Medicaid (and no TANF), and $10.4 billion for families that never received TANF cash welfare.[11]

Social Security

As noted above, the Social Security Act established an old-age insurance system for workers; and later, social security was enlarged to cover dependents and survivors of retired or disabled workers.[12] With these additions, social security became a system of comprehensive insurance for all families with a worker who paid social security payroll taxes.[13] If the family breadwinner died or became disabled, social security would provide cash for his dependents and survivors. It was widely hoped that coverage by work-related social insurance eventually would eliminate most need for cash relief to families who lost their breadwinner.

In December 2005, there were 48.4 million social security recipients, of which 4 million were children.[14] This means the federal government makes social security payments to almost 5% of U.S. children. Total benefits to children totaled $1.9 billion in that month, a rate of $23 billion per year. In addition, some adult social security beneficiaries are in families with children, so that this program reaches an even greater proportion of the child population.[15]

Unemployment Insurance

The Social Security Act also established the federal-state unemployment insurance (UI) program. This program provides temporary unemployment benefits to workers who are unemployed through no fault of their own, provided they have earned a state-determined sum of wages during an established base period, usually

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[10] See CRS Report RL30785, *The Child Care and Development Block Grant: Background and Funding,* by Melinda Gish.

[11] See CRS Report RS22380, *Child Support Enforcement: Program Basics,* by Carmen Solomon-Fears.

[12] Child survivor benefits were first paid in Jan. 1940.

[13] Until 1950, social security omitted farm and domestic workers.

[14] See CRS Report 94-27, *Social Security: Brief Facts and Statistics*, by Gary Sidor.

[15] See CRS Report RL33289, *Social Security's Effect on Child Poverty,* by Thomas Gabe.

the first quarter of the last five completed calendar quarters, and are available for work.

Historically there has been concern that UI eligibility rules present barriers to low-wage workers with unstable work histories. To what extent might unemployment benefits be available for former welfare recipients who lose a job?[16] Studies of former cash recipients in a number of states conclude that most recipients who leave welfare for work have sufficient earnings to qualify for UI at some point after leaving welfare.[17] However, having sufficient earnings is only one of the qualifying conditions for receiving UI upon losing a job. The job loss must be considered as occurring through no fault of the potential recipient, a definition that varies among the states. A study of welfare leavers in New Jersey, considered a fairly liberal state with respect to UI eligibility rules, found that as many as 60% of those with monetary eligibility might have been disqualified for other reasons — especially the high rates of voluntarily quitting a job. It found that about half of the job quitters did so for a personal reason, such as a health problem, having to care for a child at home, or a transportation issue. Advocates of broadening UI rules to qualify more low-wage workers have recommended that states permit job quits for "good reason."

Cash Public Assistance for Children

Before passage of the Social Security Act in 1935, some states offered "mothers' pensions" so that needy mothers could stay home to raise their children. This aid was largely restricted to "paternal orphans," children whose father had died.[18] In response to the Great Depression, the Social Security Act provided federal funds to enable states to help certain needy groups, including children whose second parent was dead, incapacitated, or continually absent from home — Aid to Dependent Children (ADC).[19] The original purpose of AFDC was to help states enable needy mothers to be full-time caregivers at home. Thus, it had no expectation of mothers' work and no requirement for it. In fact, the law penalized work by

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[16] For a discussion of unemployment insurance issues raised by the welfare-to-work movement, see *Rethinking Income Support for the Working Poor, Perspectives on Unemployment Insurance, Welfare, and Work*, edited by Evelyn Ganzglass and Karen Glass (Washington, DC, National Governors Association, 1999).

[17] See Anu Rangarajan, Carol Razafindrakoto, and Walter Corson, *Study to Examine UI Eligibility Among Former TANF Recipients: Evidence from New Jersey, Final Report* (Princeton, N.J., Nov. 2002, Mathematica Policy Research, Inc.). This study was prepared for the U.S. Department of Health and Human Services and the Department of Human Services of New Jersey. See also Anu Rangarajan and Carol Razafindrakoto, *Unemployment Insurance as a Potential Safety Net for TANF Leavers: Evidence from Five States* (Princeton, N.J., Sept. 2004, Mathematica Policy Research, Inc.). Prepared for the Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

[18] In 1931, widows made up 82% of the needy mothers who received state aid (mothers' pensions) and whose marital status was known. Winifred Bell, *Aid to Dependent Children* (New York and London: Columbia University Press, 1965), p. 9.

[19] In 1962, the program was renamed Aid to Families with Dependent Children (AFDC).

requiring states to reduce benefits by the full amount of any earnings (including those spent on work expenses).

However, this changed over the years. Gradually the assumption that AFDC mothers belonged at home faded as more and more nonwelfare mothers went to work and as rising numbers of unwed mothers joined AFDC, altering the character of the caseload.

Since the early 1960s, Congress has tried to promote work and self-support of welfare families by means of work requirements, financial incentives,[20] and various services. The first work rule (1961) applied to unemployed fathers (a group that Congress admitted to AFDC — at state option — that year). The rule required states to condition AFDC for Unemployed Fathers (AFDC-UF) on acceptance of work. In 1967, Congress established a Work Incentive Program (WIN) for AFDC families and required states to assign "appropriate" persons to this education and training program. The 1967 law required states to give AFDC parents who went to work a financial reward: disregard of some earnings when calculating benefits.[21] In 1971, Congress removed from states the discretion to decide who must work or train. Instead, it specified that states must assign to WIN all able-bodied custodial parents except those with a preschool child, under age six. In the Family Support Act of 1988, Congress lowered the young child age threshold for work exemption. It required states to assign to a new Jobs and Basic Skills (JOBS) Training program for AFDC families all able-bodied custodial parents except those with a child under age three (under age one, at state option). However, the law required states to "guarantee" child care for children below age six.

Finally, in 1996, Congress replaced AFDC with the TANF block grant. TANF law requires states to engage certain percentages of adult recipients in specified "work activities." The law exempts no one from work participation, but it permits states to exempt a single parent caring for a child under age one (and to exclude that parent in calculating the state's work participation rate). In addition, the law bars a state from penalizing a single parent with a child under age six for failure to engage in required work if the person cannot obtain needed child care because appropriate care is unavailable (or available care is unsuitable). States decide individual participation rules.

In June 2006, 3.5 million children were in families that received cash benefits from TANF programs or separate state-funded (TANF) programs. This is down from a historic peak of 9.6 million children in families receiving cash benefits from AFDC

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[20] In 1962, Congress removed the financial work penalty by requiring states to permit working parents to add to their AFDC grant "any expenses reasonably attributed to the earning of income."

[21] States were to disregard the first $30 monthly in earnings plus one-third of the remainder. By regulation, the "reasonable"work expense deduction, including child care cost (already in law) was added to the new disregard and taken last. In 1981, Congress capped the general work expense disregard, added a capped child care disregard, and specified that these disregards must be taken first; it also put a time limit on the one-third disregard. These changes reduced the earnings level at which a person lost AFDC eligibility.

in 1994. In FY2005, federal and state spending on cash welfare benefits totaled $10.7 billion — a little less than half the amount spent on cash welfare by the federal government and states back in the mid-1990s.[22]

Money Income Poverty Rates of Children, by Income Source

Although there are numerous government "safety net" programs that aid families with children, the chief component of money income for most families with children is earnings. The first bars in **Figures 19 and 20** show what child poverty rates in 2005 would have been if families had no cash income other than earnings. The rates would have been 21.5% for all related children and 52.4% for related children in lone-mother families. The last bars show the official money income poverty rates, 17.1% for all related children and 42.8% for children being raised by the mother alone. In succession, the intervening bars show the poverty-reducing contributions of (1) cash from other family effort (property income, private pensions, child support and alimony), and (2) government cash transfers (social insurance, other cash benefits, and cash welfare). In general, the official poverty rates are about 20% lower than market income (earnings only) poverty rates. Figures 19 and 20 show only sources of pre-tax money income (income counted in determining official poverty rates). They exclude noncash aid and tax benefits.

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[22] For updated statistics on cash welfare, see CRS Report RL32760, *The Temporary Assistance for Needy Families Block Grant: Responses to Frequently Asked Questions*, by Gene Falk.

Figure 19. Poverty Rates of All Related Children, 2005, by Source of Income

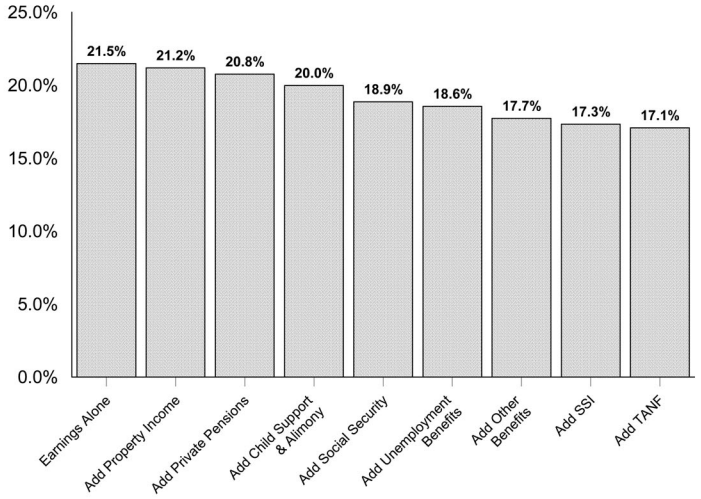
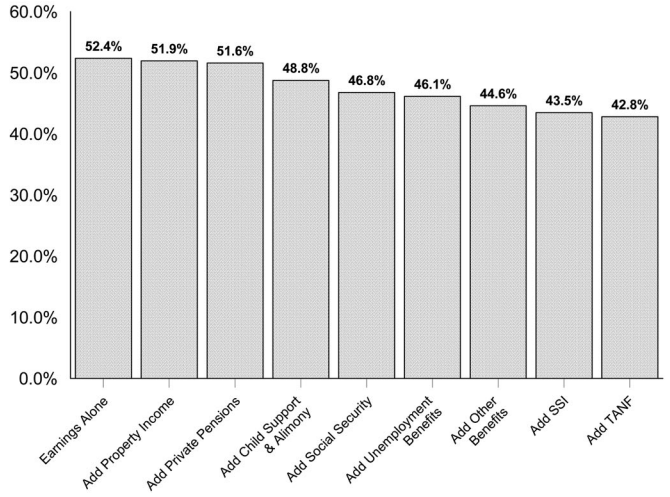


Figure 20. Poverty Rates for Related Children in Lone Mother Families, 2005, by Source of Income



Source: Figures 19 and 20 prepared by the Congressional Research Service (CRS) based on data from the U.S. Census Bureau.

Conclusion

This report examined both the role of work and the role of government income supports as factors affecting the official child poverty rate. Work is the principal means by which families with children support themselves. Child poverty rates are correlated with factors associated with wage rates, such as parent(s)' educational attainment and work experience; the amount of work done during the year; and family type, which affects the likelihood that a family will have a second earner. Without family earnings, a child is almost certain to be poor.

However, earnings alone often fail to overcome poverty. In 2005, close to one-third of all poor children lived with at least one adult who was a full-time, full-year worker. The economy has many jobs that pay low wages. Parents in such jobs may escape poverty only through job advancement that results in higher wages, possibly only by upgrading skills and education while working. Often, it takes work of both parents to move their children and families out of poverty. This often comes at the cost of arranging child care to permit both parents to work outside of the home. Additionally, work is not always steady, with some parents experiencing spells of joblessness for part of the year.

Access to the first tier of the "safety net," social insurance, is restricted to families with a current or previous wage earner. Social insurance benefits are established through work, and are characterized as earned rights. Although these programs are not targeted to the poor per se, these programs — which partially replace earnings because of the death, old age, disability or involuntary unemployment of a worker — have a significant impact on reducing poverty among families with children. Over the past 20 years, the social insurance tier of the safety net has remained relatively static. The protections of its cash benefit programs have generally been maintained. However, the social insurance tier has not been revised to take into account changes in the economy, family structure, and work patterns of parents.

In contrast, the second tier of the "safety net," programs targeted to low-income families and persons, has undergone a radical transformation over the past 20 years. Cash welfare for needy families with children has increasingly been tied to a philosophy of mutual obligations — adult recipients have been expected to engage in either work or activities to move them into work. In the wake of welfare reforms made at the federal and state levels in the mid-1990s, the cash welfare rolls plummeted, so that children in families receiving cash assistance represent a small and decreasing share of both the overall and poverty child populations. Need-tested assistance increasingly is paid to families only in the form of noncash benefits (Medicaid and food stamps) whose value is not reflected in the official child poverty statistics. These programs cast an uneven net of basic support to families. Moreover, when parents receiving need-tested benefits go to work, benefits are often significantly reduced as earnings increase, at times creating a perverse disincentive to work. For many families with limited earnings capacity, the route toward self-sufficiency can be a steep climb, yielding only small economic gain for additional work effort.

Along with the transformation of need-tested benefits have come expansions of refundable tax credits for families with children, particularly the Earned Income Tax Credit (EITC). As a work support, the EITC helps offset the financial disincentives relating to work that poor families have traditionally faced under welfare programs. For some families with very low earnings, the EITC may supplement up to 40 cents on every dollar a parent earns. EITC payments (either advance payments, tax refunds, or reductions in tax liabilities that would otherwise be owed) are not included in the official poverty statistics. However, for a single parent with two children, who works full-time, all year at the 2006 federal minimum wage, those earnings combined with food stamps and the EITC are sufficient to lift that family to just above the poverty threshold.

Thus, recent changes to taxes and benefits targeted to low-income families have sought to increase the *rewards* to work. However, the world of work does not guarantee steady income. Working parents face *risks* to financially supporting their children, stemming from job loss associated with either cyclical or structural changes in the economy or interrupted periods of work because of their own or a family members' illness. Moreover, there remain a small but not insignificant group of families with children where no parent has an attachment to the labor force. This creates a series of policy dilemmas which include how to balance protections against economic risk while maintaining a policy that rewards work, and helping children in those families without a worker without undermining the efforts of working parents.

Appendix A: Support Tables to Selected Figures in this Report

Table A1. Poverty Rates and Number of Poor Children, by Family Type, 1959-2005

(Support Table for **Figures 13-15**)

Year	Poverty rates for related children under age 18			Number of poor related children under age 18 (in thousands)		
	All families	Female-headed families	Male-present families	All families	Female-headed families	Male-present families
1959	26.9	72.2	22.4	17,208	4,145	13,063
1960	26.5	68.4	22.3	17,288	4,095	13,193
1961	25.2	65.1	21.0	16,577	4,044	12,533
1962	24.7	70.2	19.9	16,630	4,506	12,124
1963	22.8	66.6	18.0	15,691	4,554	11,137
1964	22.7	62.3	18.2	15,736	4,422	11,314
1965	20.7	64.2	15.7	14,388	4,562	9,826
1966	17.4	58.2	12.6	12,146	4,262	7,884
1967	16.3	54.3	11.5	11,427	4,246	7,181
1968	15.3	55.2	10.2	10,739	4,409	6,330
1969	13.8	54.4	8.6	9,501	4,247	5,254
1970	14.9	53.0	9.2	10,235	4,689	5,546
1971	15.1	53.1	9.3	10,344	4,850	5,494
1972	14.9	53.1	8.6	10,082	5,094	4,988
1973	14.2	52.1	7.6	9,453	5,171	4,282
1974	15.1	51.5	8.3	9,967	5,387	4,580
1975	16.8	52.7	9.8	10,882	5,597	5,285
1976	15.8	52.0	8.5	10,081	5,583	4,498
1977	16.0	50.3	8.5	10,028	5,658	4,370
1978	15.7	50.6	7.9	9,722	5,687	4,035
1979	16.0	48.6	8.5	9,993	5,635	4,358
1980	17.9	50.8	10.4	11,114	5,866	5,248
1981	19.5	52.3	11.6	12,068	6,305	5,763
1982	21.3	56.1	13.0	13,139	6,696	6,443
1983	21.8	55.4	13.5	13,427	6,747	6,680
1984	21.0	54.0	12.5	12,929	6,772	6,157
1985	20.1	53.6	11.7	12,483	6,716	5,767
1986	19.8	54.4	10.8	12,257	6,943	5,314
1987	19.7	53.7	10.6	12,275	7,019	5,256
1988	19.0	52.9	10.0	11,935	6,955	4,980
1989	19.0	51.1	10.4	12,001	6,808	5,193
1990	19.9	53.4	10.7	12,715	7,363	5,352
1991	21.1	55.4	11.1	13,658	8,065	5,593
1992	21.6	54.6	11.8	14,521	8,368	6,153
1993	22.0	53.7	12.4	14,961	8,503	6,458
1994	21.2	52.9	11.7	14,610	8,427	6,183
1995	20.2	50.3	10.7	13,999	8,364	5,635
1996	19.8	49.3	10.9	13,764	7,990	5,774

Year	Poverty rates for related children under age 18			Number of poor related children under age 18 (in thousands)		
	All families	Female-headed families	Male-present families	All families	Female-headed families	Male-present families
1997	19.2	49.0	10.2	13,422	7,928	5,494
1998	18.3	46.1	9.7	12,845	7,627	5,218
1999	16.6	41.5	9.1	11,510	6,602	4,984
2000	15.6	40.1	8.6	11,005	6,300	4,705
2001	15.8	39.3	8.8	11,175	6,341	4,834
2002	16.3	39.6	9.2	11,646	6,564	5,082
2003	17.2	41.8	9.6	12,340	7,085	5,255
2004	17.3	41.9	9.7	12,473	7,152	5,321
2005	17.1	42.8	9.3	12,335	7,210	5,125

Source: Table prepared by the Congressional Research Service, based on data from the U.S. Census Bureau.

Table A2. Employment Rates of Single Mothers and Married Mothers, by Age of Youngest Child, March 1988 to March 2006

(percent of single mothers employed in March, Support Table for **Figure 17**)

Year	Single mothers				Married mothers			
	With a child under age 18	Youngest child under age 3	Youngest child age 3 to 5	Youngest child age 6 to 17	With a child under age 18	Youngest child under age 3	Youngest child age 3 to 5	Youngest child age 6 to 17
1988	57.4	35.1	52.9	69.1	61.8	50.7	58.1	69.6
1989	58.2	37.9	53.1	70.0	63.0	51.4	60.8	70.6
1990	60.3	38.0	61.0	70.9	63.4	52.7	60.9	70.8
1991	58.1	36.6	55.7	70.2	63.1	52.7	60.5	70.5
1992	57.3	35.2	54.1	69.8	63.9	53.1	59.4	71.9
1993	57.3	35.1	54.8	70.1	63.9	53.2	59.4	71.9
1994	58.0	37.7	55.2	69.3	65.5	56.0	61.2	72.6
1995	61.1	43.1	58.5	70.5	67.1	57.4	63.9	73.4
1996	63.5	44.7	60.4	72.9	67.6	58.2	63.3	74.2
1997	65.6	51.5	64.3	72.0	68.5	58.3	64.4	75.2
1998	68.8	54.8	63.7	76.4	67.9	58.3	64.1	74.2
1999	70.7	55.8	69.8	77.1	67.9	57.0	63.1	75.1
2000	72.8	59.1	72.7	78.5	68.4	56.8	66.0	75.0
2001	73.0	56.1	74.4	79.8	68.5	57.1	64.7	75.4
2001r	72.5	57.6	71.3	79.1	68.0	56.0	64.2	75.1
2002	71.2	57.9	71.0	76.3	66.7	54.9	61.7	74.1
2003	69.6	54.8	69.3	75.4	66.3	53.5	61.7	74.2
2004	69.7	54.1	69.5	75.7	65.3	52.4	62.3	72.7
2005	68.9	53.7	66.7	75.7	65.9	54.9	61.9	72.8
2006	69.6	57.0	68.0	75.1	66.1	55.4	61.8	73.1

Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Mar. 1988 to 2006 Current Population Survey (CPS) data.

Note: r = Revised estimates based on expanded CPS sample and 2000 decennial census-derived weights.

Table A3. Annual Hours Worked by Poor Mothers in Mother-only Families at Various Percentile Rankings, 1987 to 2005

(Support Table for **Figure 18**)

Year	10th percentile	20th percentile	30th percentile	40th percentile	50th percentile (median)	60th percentile	70th percentile	80th percentile	90th percentile
1987	0	0	0	0	0	80	450	1,040	1,680
1988	0	0	0	0	0	120	480	936	1,716
1989	0	0	0	0	0	128	480	1,040	1,664
1990	0	0	0	0	0	208	600	1,080	1,680
1991	0	0	0	0	0	192	546	1,040	1,800
1992	0	0	0	0	0	120	550	1,040	1,664
1993	0	0	0	0	0	120	480	1,040	1,760
1994	0	0	0	0	0	252	640	1,150	1,820
1995	0	0	0	0	0	340	784	1,320	2,080
1996	0	0	0	0	80	432	800	1,300	1,840
1997	0	0	0	0	255	600	1,040	1,456	2,080
1998	0	0	0	21	400	700	1,040	1,584	2,080
1999	0	0	0	132	480	840	1,200	1,600	2,080
2000	0	0	0	60	480	875	1,280	1,760	2,080
2001	0	0	0	0	320	780	1,144	1,664	2,080
2002	0	0	0	0	320	780	1,170	1,664	2,080
2003	0	0	0	0	260	660	1,040	1,560	2,080
2004	0	0	0	0	225	640	1,040	1,600	2,080
2005	0	0	0	0	180	600	1,040	1,560	2,080

Source: Estimates prepared by the Congressional Research Service based on U.S. Census Bureau, Mar. 1988 through 2006 Current Population Survey (CPS) data.

Chairman MCDERMOTT. So, there is a good bit of information I recommended to the Committee to read. If you have nothing else for bed time reading, it is a good explanation of what is going on in this country.

We will come to our first panel of witnesses. They are all—all of your written statements will be entered into the record, so we would like you to talk for 5 minutes to us and tell us what is on your mind. The first of the panelists that we have we have gotten them from a variety of places and tried to get some spread here about what the kinds of problems people face.

Let us start, Ms. Crawley with you.

STATEMENT OF ANITA CRAWLEY, NASHVILLE, TENNESSEE

Ms. CRAWLEY. Mr. Chairman and Members of the Subcommittee, thank you for providing me with the opportunity to share my story today about my struggles to get out of poverty. My name is Anita Crowley. About 4 years ago, a number of things happened at the same time to change my life.

Chairman MCDERMOTT. Is your mike on? If you press——

Ms. CRAWLEY. Okay. Mr. Chairman and Members of Subcommittee. Thank you for providing me with the opportunity to share my story today about my struggles to get out of poverty. My name is Anita Crawley. About 4 years ago, a number of things happened at the same time to permanently change my life.

After 12 years of working at Vanderbilt University Medical Center in a good paying job, I was laid off due to management decision to upgrade the position for a college graduate. Even though I was well trained and qualified for the job as a referral and authorization specialist, I became unemployed.

Around the same time, my marriage of 12 years was ending in divorce. I decided to go back to school to further my education so I enrolled in college. I made it halfway through the second semester and then my youngest daughter was hit by a car and was hospitalized. My life changed. I was forced to make some hard decisions. I was a single mom with no support, no income, and now I have to take care of my injured daughter who suffered memory loss among other things at the tender age of 6.

I had to take a leave from school to take care of my daughter. I tried to go back to school part-time, but I could not take two classes under the Pell grant. So, I had to make the painful decision to stop and take care of my daughter. I had used all of the money I had saved. I had to borrow money from my 401(k) after using all of the resources I had, I was broke. I could barely afford to feed and shelter my daughters. After losing my home, my car, my comfortable life as I knew it, I had no choice but to move back with my mother.

I had to accept low income housing in a very bad neighborhood. My kids could not go outside to play because of the constant drug dealing and gunfire. I did everything I could to provide for my daughters. I had to get on public assistance, welfare, food stamps, cash benefits, TennCare, Job Search, Child Care Assistance while I searched for work. If it were not for my hope, faith in these government supports, I would not have been able to survive.

Eventually, I got connected to Catholic Charities of Nashville for their Welfare to Work program. After my training was completed, I was able to find part-time employment. I am one of the fortunate people because I was able to find a job. I am still struggling every day to make ends meat.

Things that would have been helpful: It would have been helpful to have more education and training assistance. Help with housing, better housing, a school for smoother transition from Welfare to Work and more work support.

As soon as I got the job, most of my income supports were cut. Food stamps, cash benefits and child care services were cut, forcing me to pay child care expenses and grocery bills. I was still faced with financial difficulties and pressure to take care of my children and keep my job. If there was a smoother transition from Welfare to Work, that would have been very helpful.

I am now working full-time with Catholic Charities of Nashville, but only making about $21,000 for my family of four which is barely above minimum wage.

While my income has gone up with the full-time employment this January 2007, all of my other support started to go down. This is not an incentive to work. Some of the value of the increased salaries is lost because of the cut in supports.

Mr. Chairman, I have tried to take some steps forward, but so many things are holding me back. I ask that you keep families like me in mind when you work to create new Federal policies to address the needs of the poor and the working poor.

We are fighting hard and playing by the rules, but are still struggling, and any small thing can push us further into poverty. We need the help of the Federal Government. Local organizations like Catholic Charities of Nashville simply cannot do it all.

Thank you for the opportunity to tell my story. I would be happy to answer any questions you may have.

Thank you.

Chairman MCDERMOTT. Thank you. You landed exactly at 5 minutes. That is perfect.

[The prepared statement of Ms. Crawley follows:]

Statement of Anita Crawley, Nashville, Tennessee

Mr. Chairman and members of the Subcommittee, thank you for providing me with the opportunity to share my story today about my struggles to get out of poverty.

Background

My name is Anita Crawley, about four years ago a number of things happened at the same time to permanently change my life:

After 12 years working at Vanderbilt University Medical Center in a good paying job—I was laid off due to management's decision to upgrade the position for a college graduate.

Even though I was well trained and qualified for the job as a Referral/Authorization Specialist I became unemployed.

Around the same time my marriage of twelve years was ending in divorce.

I decided to go back to school to further my education, so I enrolled in college.

I made it half way through the second semester and then my youngest daughter was hit by a car and was hospitalized.

My Life Changed

I was forced to make some hard decisions. I was a single mom with no support, no income, and now I had to take care of my injured daughter, who suffered memory loss among other things at the tender age of six.

I had to take a leave from school to take care of my daughter.

I tried to go back to school part-time, but I could not take two classes under the Pell Grant, so I had to make the painful decision to stop and take care of my daughter.

I had used all the money I had saved, I had to borrow money from my 401k, after using all the resources I had, I was broke.

I could barely afford to feed and shelter my daughters. After losing my home, my car, my comfortable life as I knew it, I had no choice, but to move back with my mother.

I had to accept low income housing in a very bad neighborhood, my kids could not go outside to play because of the constant drug dealing and gun fire.

I Did Everything I Could to Provide for My Daughters

I had to get on public assistance—Welfare, food stamps, cash benefits, Tenncare, and Job Search Child Care assistance while I searched for work.

If it were not for my hope, faith and these government supports, I would not have been able to survive.

Eventually I got connected to Catholic Charities of Nashville for their welfare to work program

After my training was completed, I was able to find part-time employment.

I am one of the fortunate people because I was able to find a job—but I am still struggling every day to make ends meet.

Things That Would Have Been Helpful

It would have been helpful to have more education and training assistance, help with housing, a smoother transition from welfare to work, and more work support.

As soon as I got the job, most of my income supports were cut—Food Stamps, cash benefits and childcare services were cut, forcing me to pay higher childcare expenses and grocery bills.

I was still faced with financial difficulties and pressure to take care of my children and keep my job.

If there was a smoother transition from welfare to work that would have been very helpful.

I am now working full-time with Catholic Charities of Nashville, but only making about $21,000 for my family of four.

While my income has gone up with the full-time employment since January 2007, all of my other supports started to go down. This is not an incentive to work.

Also, some of the value of the increased salaries is lost because of the cut in supports

Mr. Chairman, I have tried to take some steps forward, but so many things are holding me back.

I ask that you keep families like me in mind when you work to create new federal policies to address the needs of the poor and the working poor.

We are fighting hard and playing by the rules—but are still struggling—and any small emergency can push us further into poverty. We need the help of the federal government.

Local organizations like Catholic Charities of Nashville simply cannot do it all.

Thank for the opportunity to tell my story—I will be happy to answer any questions you may have.

Thank you.

Chairman MCDERMOTT. Ms. Bezear.

STATEMENT OF MARILYN BEZEAR, NEW YORK, NEW YORK

Ms. BEZEAR. Good morning. My name is Marilyn Bezear. I live in Harlem on West——

Chairman MCDERMOTT. I don't think your mike is on. Press—there you go.

Ms. BEZEAR. Okay. My name is Marilyn Bezear. I live in Harlem on West 143rd Street. I am 52 years old, and a single mother. My husband passed away in 1997. I have a 21-year old daughter named Cha'ta. I am a member of Community Voices Heard. I am here to tell you my story.

I was working in 1995 as a secretary in Harlem Hospital. After caring for my husband who died from cancer, I began to receive public assistance. After 5 years, I was able to get a position in the transitional job program working for the Department of Parks and Recreation. The job program lasted for 11½ months. This program, which came through the Human Resources Administration, the welfare agency in New York, allowed me to work toward a goal of bringing home a salary and not have to rely on public assistance.

One problem, however, was the education program of the program did not work. I wanted my General Equivalency Diploma (GED). After this time, I used 6 months on unemployment and attended adult education where I got my GED.

I am working two jobs. One is a government agency doing clerical work in New York Department of Sanitation. I work alongside people that are making much higher salaries with benefits because I work through a temp agency. I am not entitled to the same benefits and salary, even though we are doing the same job. I work 20 hours a week and make $8 an hour. I also do office cleaning at night for another agency for 15 hours a week for making a minimum of $10 to $15 depending on the site that I am cleaning.

Together, after taxes, I bring home up to $300 a week. With this I pay my rent, food, telephone, and payments for the loan I took off for my daughter to go to college. Even this can be unstable. There have been times when the temp agency has less work and I had to find a temporary way to meet my needs like working part time in the bowling alley on late shift which got me home at 4:30 in the morning.

I have been in New York City public housing since 1994. If myself and my neighbors didn't have access to public housing, I wouldn't be able to stay in the neighborhood that I grew up in. Even with poor maintenance, service, repairs and security leading to my daughter recently being robbed in the building I lived in.

Public housing is really the only access I have to affordable housing due to the fact of many new high and costly developments now happening in Harlem due to the salary I bring home. Right now, one of my high priorities to get an education for my daughter was the college loans that I had taken out. My debt is almost $35,000. I knew this would be a struggle, but I wanted my daughter to have a high education to give her the opportunity to succeed.

Even with these loans, I still had to take out money for my weekly salary to help her with food and all of the expenses. It became very challenging. She ended up leaving college at Florida because her housing went up, because she has limited public transportation, and I couldn't afford to buy her a car. She is now back living at home with me in New York City looking for a job. Hopefully, she will be attending school in New York City in the fall to have the opportunity to see the hardship and other young people encompassing their background.

One of my biggest worries right now is my health care. I no longer have health insurance because of Medicaid recertification cut my off by mistake. When my daughter turned 21, she was no longer eligible under my case. So, no one in my household has health insurance now. The temp agency that I am working for don't provide health insurance for me and my family.

Although my daughter still lives with me, because she is now 21, my case only includes me. My income may be still too high for one person to make me eligible for Medicaid. I am waiting to be recertified. This is my only option.

As you see, the struggle that I live through does not come from one cause and any solution for poverty need to consider all of these elements. It is all based on trying to achieve real security in life.

A real living wage would make the security and stability for me and my family. It is not only by the wage, but the tools I need to get a better paying job. I work to get my GED and further access to adult training education to provide me with security for my life.

Education is the key to the future. My daughter and others like her would be more secure and self-sufficient if more aid was available and loan payments didn't make such a burden on the whole family. The security of health coverage is limited by unreasonable income levels and people like my daughter are falling through the cracks.

When she had to leave college, she lost her health coverage and is no longer eligible under my Medicaid. My access to housing is insecure. Frequently in my church, we have discussions about the fear of losing affordable housing. I hear the conversations on the bus, on the corner and in the stores. I know this conversation might be happening all over the country.

I would like to take this time to thank everyone here to listening to my testimony. I am just one of the many who lives through these struggles. The challenge of trying to send a kid to college to work more than one job, making money stretch to the longest distance. Wages, education, training and health care are a necessity, and I hope my testimony did not fall on deaf ears. Thank you.

Chairman MCDERMOTT. Thank you.

[The prepared statement of Ms. Bezear follows:]

Statement of Marilyn Bezear, New York, New York

My name is Marilyn Bezear. I live in Harlem on West 143rd St. in New York City. I am 52 years old and a single mother, (my husband passed away in 1997). I have a 21 year daughter named Cha'ta. I am a member of Community Voices Heard and I am here to tell you my story.

I was working in 1995 as a secretary in Harlem Hospital. After caring for my husband, who died from cancer, I began to receive Public Assistance. After five years, I was able to get a position in a transitional job program working for the Department of Parks & Recreation. The job program lasted for 11½ months. This program which came through HRA, the welfare agency in New York, allowed me to work toward a goal of bringing home a salary and not have to rely on Public Assistance. One problem, however, was that the education portion of the program did not work. I wanted my GED. After this time, I used the six months on unemployment insurance to attend Adult Basic Education where I got my GED.

I am currently working two jobs. I am working with a temp agency doing clerical work in the New York City Department of Sanitation. I work alongside people that are making much higher salaries with benefits but because I work through a temp agency I am not entitled to the same benefits and salary even though we are doing the same job. I work 20 hours a week and make eight dollars an hour. I also do office cleaning at night for another agency for 15 hours a week making a minimum of $10 to $15 dollars an hour depending on the site that I am cleaning.

Together, after taxes, I bring home up to $300 a week. With this, I pay my rent, food, telephone and payments for the loan that I took out for my daughter to go to college. Even this can be unstable. There have been times when the temp agency has had less work and I have to find a temporary way to meet my needs like working part-time in a bowling alley on a late shift getting home at 4:30 in the morning.

I have been in New York City Public Housing since 1994. If myself and my neighbors didn't have the access to public housing, I wouldn't be able to stay in the neighborhood that I grew up in. Even with poor maintenance, services, repairs and security (leading to my daughter recently being robbed in my building), public housing is really the only access I have to affordable housing due to the fact of many new and high cost developments happening now in Harlem and due to the salary I bring home.

Right now, one of my highest priorities is to get an education for my daughter. With the college loans that I have taken out, the debt is almost $35,000 now. I knew that this would be a struggle but I want my daughter to have a higher education to give her the opportunity to succeed. Even with these loans, I still had to take out money from my weekly salary to help her with food and other expenses. It became very challenging. She ended up leaving college in Florida because her housing went up and because she had limited public transportation in her city (we couldn't afford to buy a car). She is now back living with me in New York and looking for a job. Hopefully she will be attending school in New York City this fall. To have the opportunity to succeed shouldn't be such a hardship for my daughter and other young people like her that come from similar backgrounds.

One of my biggest worries right now is about my healthcare. I no longer have health insurance because a Medicaid recertification cut me off by mistake. When my daughter turned 21, she was no longer eligible under my case. So no one in my household has health insurance now. The temp agencies that I am working for don't provide health insurance for me and my family. Although my daughter still lives me, because she is now 21, my case only includes me. My income may be considered too high for one person to make me eligible for Medicaid. I am waiting to be recertified, hoping that I am eligible because it is my only option right now.

As you see, the struggles that I am living through don't come from one cause and any solution to poverty need to consider all these elements. It is all based on trying to achieve real security in life. A real living wage would provide that security and stability for me and my family. And it is not only about the wage, but about the tools I need to get better paying jobs. I worked to get my GED and further access to adult training and education would provide more security in my life. Education is the key to a good future. My daughter and others like her would have be more secure and self-sufficient if more aid was available and loan payments didn't put such a burden on the whole family. The security of health coverage is limited by unreasonable income levels and people like my daughter are falling through the cracks. When she had to leave college, she lost her health coverage and is no longer eligible under my Medicaid. My access to housing is insecure. Frequently in my church, we have discussions about the fear of losing affordable housing. I hear these conversations on the bus and in the corner stores and I know these conversations must be happening all over the country.

I would like to take this time to thank everyone here for listening to my testimony. I am just one of many who live through these struggles. The challenge of trying to send a kid to college, working more than one job and making money stretch the longest distance. Wages, education, training and healthcare are a necessity. I hope my testimony did not fall on deaf ears. Thank You.

Chairman MCDERMOTT. Mr. Douglas Noble.

STATEMENT OF DOUGLAS NOBLE, GAITHERSBURG, MARYLAND

Mr. NOBLE. Thank you. Thank you for the chance to speak today about the difficulties I have had and still are having with getting a job and moving out of homelessness and into my own home. My name is Douglas Noble, and I was born 50 years ago in the middle class community in Silver Spring, Maryland and went to the local Catholic high school. In 1980, I moved out of my mother's house and began living on my own, renting my own apartments, owning my own car, and working full-time for nearly 2 decades.

I am dually diagnosed. That means I have a diagnosed mental health problem, in my case depression, along with a substance

abuse problem. In my case, I am an alcoholic. I have had depression all of my adult life. When my depression got really bad until 1998, I drank a lot to try and control things until I finally lost control of my life in 2001. I first began losing jobs and then my apartment. I temporarily moved in with my mother. The agreement was that I could stay there if I took my medication and stopped drinking. The medication was too expensive, and I wasn't ready to stop drinking.

I moved out of my mother's house and began staying in the warehouse where I was working. That went on for some time until I broke my foot. In December of 2001, I fell and shattered my right foot so badly that I was in and out of the hospital many times. After the hospital, I moved into a respite care emergency shelter and transitional housing. I would like to point out that the community ministry shelter in Rockville and the out-patient addiction service program in Rockville both were very successful in helping me.

A condition of transitional housing was sobriety. So, for the first time I started to think about stopping drinking. For the year, I worked on my dual diagnosis and graduated from the program I was in. The foot injury was still giving me problems and preventing me from working full time. Given that I had worked for many years and was now disabled, I applied and received Social Security disability income, approximately $800 a month. Social Security Disability Insurance (SSDI) gave me enough income and access to health insurance to live in a temporary group home paying for rent and expenses. Health insurance was paid for, my doctors' visits and medications.

In 2005, my depression was under control with medication, but my foot was still really bothering me. I started working on new goals, taking my medication for depression, taking college classes, getting a job and moving into my own home. I began taking graphics arts classes at a community college and began working seasonal jobs. I was meeting my goals and things were looking much better. Late in 2005, the Social Security Administration (SSA) determined that I was no longer disabled and canceled my benefits along with my health insurance. It has been a real struggle since then.

Even though my foot bothers me when I stand on it for a while, my caseworker says that it is probably not worth appealing the decision after SSA has made up their minds.

I am still living in temporary housing and working with an employment counselor. I saved a little money from a job I had over the holidays and from the remainder of my SSDI it is enough to cover my living expenses and the medications for depression, it costs a lot and is getting more and more expensive.

I have worked most of my life and had some setbacks, but I am committed to returning to work and getting my own home.

Friday I had a job interview that looks promising. It pays enough for rent and expenses and has health insurance. With that in place, I can move into my own apartment. Without it, life just stays a lot more difficult.

Thank you.

[The prepared statement of Mr. Noble follows:]

Statement of Douglas Noble, Gaithersburg, Maryland

Thank you for the chance to speak today about the difficulties I've had and still are have with getting a job and moving out of homelessness and into my own home. My name is Douglas Noble and I was born fifty years ago in a middle class community in Silver Spring, Maryland and went to the local catholic high school. In 1980, I moved out of my mother's house and began living on my own, renting my own apartments, owning my own car and working full time for nearly two decades.

I'm dually diagnosed, that means I have a diagnosed mental health problem—in my case depression—along with a substance abuse problem—in my case I'm an alcoholic. I've had depression all my adult life. When my depression got really bad in 1998, I drank a lot to try and control things, until I finally lost control of my life in 2001. I first began losing jobs and then my apartment. I temporarily moved in with my mother. The agreement was that I could stay there if I took my medication and stopped drinking. The medication was too expensive and I wasn't ready to stop drinking. I moved out of my mother's house and began staying in the warehouse where I was working. That went on for some time until I broke my foot.

In December 2001, I fell and shattered my right foot so badly that I was in and out of the hospital many times. After the hospital, I moved into a respite care, emergency shelter and transitional housing. A condition of transitional housing was sobriety. So, for the first time I started to think about stopping drinking. For two years I worked on my dual diagnoses and graduated from the program I was in. T he foot injury was still giving me problems and preventing me from working full time. Because I had worked for many years and was now disabled, I applied and received Social Security Disability Income, approximately $800. SSDI gave my enough income and access to health insurance to live in a temporary group home, paying for rent and expenses. Health insurance was paying for my doctors' visits and medication.

In 2005, my depression was under control with medication, but my foot was still really bothering me. I started working on new goals: taking my medication for depression, taking college classes, getting a job and moving into my own home. I began taking graphics arts classes at a community college, and began working season jobs. I was meeting my goals and things were looking much better.

Late in 2005, the Social Security Administration determined that I was no longer disabled and cancelled my benefits, along with my health insurance. It's been a real struggle since then. Even though my foot bothers me when I stand on it for a while, my case worker says that it's probably not worth appealing the decision after SSA has made up their minds.

I'm still living in temporary housing and working with an employment counselor. I saved a little money from a job I had over the holidays and from SSDI. It's enough to cover my living expenses and the medication for depression that costs a lot and is getting more and more expensive.

I've worked most my life and had some set backs. But, I'm committed to returning to work and getting my own home. Friday I had a job interview that looks promising. It pays enough for rent and expenses and has health insurance. With that in place, I can move into my own apartment. Without it, life just stays a lot more difficult.

Chairman MCDERMOTT. Thank you very much.

Mr. Hawkins and Ms. Dodd, do you want to talk together? You can split the time any way you want.

STATEMENT OF TAVON HAWKINS AND NICOLE DODD

Mr. HAWKINS. Good morning. Thank you for giving me the opportunity to testify. My name is Tavon Hawkins. My fiance and I participate in the Center For Fathers, Families and Workforce Development, Baltimore Building Strong Family Program. The program provides us with relationship skills building and a great deals of emotional support. My parents were not together when I was growing up. My father was not active in my life. The absence of my father made me realize the importance of a father figure. I may not have had a father in my life, but I do realize the impor-

tance of being there for my son. The Building Strong Family Program has helped me learn that I need to be not only good father, but also a good partner to Nicole.

My fiance and I have 2 years—been together for 2½ years. Just recently had our first child. During our time together, I have been employed on and off. Most of the employment I have been able to obtain is seasonal. I have a misdemeanor offense on my record and it makes it hard for me to find long-time employment. I am the provider for my family and at times—at times I find that hard to make ends meet.

Ms. DODD. Good morning. Thank you for giving me the opportunity to testify. My name is Nicole Dodd. My fiance and I have participated in the Baltimore Building a Strong Family program. The program helped us to strengthen our relationship by teaching us the right ways to talk to each other when we are angry and frustrated. I have worked often on my adult life. I have experience. However, I do not have a high school diploma. I realize that that is stopping me for really getting a good job. I know the importance of having a high school diploma, but since I have a child, I don't have the child care and cannot afford to pay for it. Social services will not assist me unless I take my fiance to child support.

I do not want to do that because Tavon takes good care of our child. I think—I think that that will be a slap in his face. I am committed to our relationship and know that we will make it regardless of our struggles, and I am thankful for the Building of a Strong Family program for helping us to see that. We will be getting married on March 24th, 2007.

[The prepared statement of Mr. Hawkins and Ms. Dodd follows:]

Statement of Tavon Hawkins and Nicole Dodd, Baltimore, Maryland

Mr. Chairman and Members of the Subcommittee:

Thank you for giving me the opportunity to testify. My name is Tavon Hawkins. My fiancé and I have participated in the Center for Fathers, Families and Workforce Development's (CFWD) Baltimore Building Strong Families program. The program provided us with relationship skill building and a great deal of emotional support.

My parents were not together when I was growing-up. My father was not active in my life. The absence of my father made me realize the importance of a father figure. I may not have had a father in my life, but I do realize the importance of being there for my son. The Building Strong Families Program has helped me learn that I need to be not only a good father but also a good partner to Nicole.

My fiancé and I have been together for 2½ years and just recently had our first child. During our time together I have been employed on and off. Most of the employment I have been able to obtain is seasonal. I have a misdemeanor offense on my record and it makes it hard for me to find long term employment. I am the provider for my family and at times I find it hard to make ends meet.

Testimony of Nicole Dodd

Mr. Chairman and Members of the Subcommittee:

Thank you for giving me the opportunity to testify. My name is Nicole Dodd. My fiancé and I have participated in the Center for Fathers, Families and Workforce Development's (CFWD) Baltimore Building Strong Families program. The program helped us to strengthen are relationship by teaching us the right way to talk to each other when we are angry and frustrated.

I have worked off and on all of my adult life. I have work experience; however I do not have my high school diploma. I realize that this is stopping me from really getting a good job. I know the importance of having a high school diploma, but since having my child I do not have childcare and cannot afford to pay for it. Social Services will not assist me unless I take my fiancé to child support. I do not want to

do this because Tavon takes good care of me and our child and I think that would be a slap in the face to him.

I am committed to our relationship and know that we will make it regardless of our struggles and I am thankful to Building Strong Families for helping us to see this. We will be getting married on March 24, 2007.

Chairman MCDERMOTT. Okay. Thank you very much for your testimony, and thank you all for your testimony.

I would like to ask Ms. Bezear. One of the things that I think that is hard for us to understand is how does somebody live on $300 a week in New York City?

Ms. BEZEAR. You are right, because it is a—really, really a struggle. Like I stated, with that money I pay my rent and I do my——

Chairman MCDERMOTT. Tell me specifically, you are living in public assisted housing?

Ms. BEZEAR. I live in public housing.

Chairman MCDERMOTT. So, it is a percentage of how much money you have that goes to your pay? How much rent do you pay a month?

Ms. BEZEAR. Right now I pay $285.

Chairman MCDERMOTT. So, one week is for rent. What else do you to have pay for?

Ms. BEZEAR. I have to pay for my telephone, food expenses because I am not entitled to food stamps because my income is so high. I am not going to—like I stated, I also have to pay for my daughter's college loans.

Chairman MCDERMOTT. Let me ask about the food. What is the level at which food stamp cuts off? It sounds like you have got $100 a month. That is too much to get food stamps?

Ms. BEZEAR. Exactly. It is too much. It is too much. They go on the level of how much you make. So my—what they consider to be hundred—1,200 added up, that is too high. So, I am not entitled to food stamps. That is how they work it in New York City. So, as I stated, the money I do have, it is a struggle because I have to pay college loans for my daughter, so that is why I think more money should be going to affordable—more into affordable housing for people and for colleges for people like me and my daughter.

Chairman MCDERMOTT. How did you get a loan for colleges for your daughter?

Ms. BEZEAR. Well, through Sallie Mae. Through Sallie Mae. The college loan place. Since she is an independent child, they considered, okay, then I was working at the time so they don't really—they go by your income, but they want to make sure you have good credit and you can pay the loan back. So, as I said, most of my money goes to paying the loans back. That is why she is not in college, because it was expensive and she had to come back home. So, once again, I think I feel there should be more affordable colleges and lower interest rates for college loans.

Chairman MCDERMOTT. Your health care is by the emergency rooms of New York City hospitals?

Ms. BEZEAR. It is for Medicaid.

Chairman MCDERMOTT. You are still on Medicaid?

Ms. BEZEAR. I was. I was on Medicaid but I am not on Medicaid any more.

Chairman MCDERMOTT. Because you don't have a child.

Ms. BEZEAR. Medicaid, they cut me off by mistake. They cut me off by mistake because the recertification. I sent my—what they call—you send recertification through the mail. When I sent it through the mail, they lost it. They cut me off. When I went to the clinic, I found out I was cut off. I didn't realize it until I had the clinic appointment. When she turned 21, they cut me off and they consider me single. Since they consider me single, they state they are going to go by income because my daughter is no longer on my income on my case.

Chairman MCDERMOTT. Mr. Hawkins and Ms. Dodd, how do you live now? I didn't hear your income level. How do you get by?

Ms. DODD. Right now we are living with a family member.

Chairman MCDERMOTT. So, you are living in somebody else's house?

Ms. DODD. Yes.

Chairman MCDERMOTT. Neither of you have employment at this point?

Ms. DODD. No, sir.

Chairman MCDERMOTT. What kind of employment—are you in any kind of training program or any kind of program where you might have assistance to get in to employment like the one that Ms. Crawley was talking about?

Ms. DODD. The Build a Strong Family program, it helps you with employment and things like that.

Chairman MCDERMOTT. Your health care presently?

Ms. DODD. No.

Chairman MCDERMOTT. Neither of you have access to health care?

Ms. DODD. No.

Chairman MCDERMOTT. Do you have access to health care?

Ms. CRAWLEY. Yes, sir.

Chairman MCDERMOTT. Because of——

Ms. CRAWLEY. Well, I still have TennCare, and they approved me until 18 months after I started. Well, I had to work on my job and they only go ahead and give it to me for 18 months. I guess that is just their law or policy there. So, everything else was cut off except our TennCare.

Chairman MCDERMOTT. Okay. Thank you.

Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman.

Again, welcome to our panelists, and I want to commend each of you for your presentation. I remember the first time I appeared before a legislative Committee and how nervous I was. I want to congratulate each of you on how well you presented yourself in talking about something personal, which is your daily lives.

We are limited in time so I would like to direct my questions to Mr. Hawkins and Ms. Dodd. First I want to congratulate you on your plans to get married. That is wonderful news. You have got a little boy now, a 4-month-old, I understand. Congratulations. He is doing well?

Ms. DODD. Yes.

Mr. WELLER. Congratulations.

Mr. McDermott kind of started on a question I was interested in directing to both of you. Tell us more about this program at the Baltimore Center for Fathers Families and Workforce Development. What do they offer and have they made some changes in your life? Do you feel they have helped you?

Ms. DODD. Yes. Actually, they made a big change in our lives. First, coming to people who you really don't know, just letting your feelings out on life. They actually—they take you in and they sit and one on one and you have your conversations with the facilitators. They kind of pinpoint everything that you really need. Like, well, housing, where we are still working on that. On housing situation. Jobs.

On the limit of working on that—as I stated, my son is only 4 months now. Child care is kind of hard. Actually we really haven't looked at different day care providers and things like that, but normally we—they don't take you until you are about 6 months to a year.

So, that left me out of work for that long. They are trying to work on different pinpoints. They are helping us with the wedding and things like that. Things that we need, expenses, and things like that.

Mr. WELLER. Mr. Hawkins, looking at Ms. Dodd's testimony, you must be a pretty good father. Pretty good dad.

Mr. HAWKINS. Yes.

Mr. WELLER. The program that you are in—this Baltimore program, does it help you find ways to be a better father?

Mr. HAWKINS. You have little sessions. You have little videos, and you sit back and talk about like what would you do different when it comes down to your child, how would you raise your child from how that you have been raised. So, it basically helps you out with a lot because actually getting to sit down, like you said before, in front of people that you don't know and express your feelings on life and what you remember and how can you become better. How can you become better for your child?

Mr. WELLER. You have indicated in comments regarding this program that the program helps you in searching for jobs and, Mr. Hawkins, you indicated you have been looking.

Mr. HAWKINS. You can go up and ask RUN for their training and once you complete that, you can verify your job.

Mr. WELLER. For you, what has been your biggest challenge in finding full-time employment?

Mr. HAWKINS. I guess, like before the misdemeanor charge I have. So, it played a major part like trying to find a job with a criminal background. It is a little hard.

Mr. WELLER. Ms. Dodd, in your statement, you indicated that you do not have a high school diploma.

Ms. DODD. Right.

Mr. WELLER. Are you working to obtain a GED?

Ms. DODD. Actually, well, we go back—we are supposed to be looking for a program so I can get my GED.

Mr. WELLER. Is this Baltimore Center—do they have a program that they sponsor or do they help?

Ms. DODD. Yes. From my understanding, they help me find a program, so——

Mr. WELLER. Then your goal is to have your own——

Ms. DODD. Salon.

Mr. WELLER. Have you worked in a salon? Have you been able to have experience——

Ms. DODD. No. I haven't worked in a salon. I started to go the hair school. So, you have your basics and all of that, but I worked out of a house a lot.

Mr. WELLER. The programs where you would learn these skills, do they require a GED before you can enter the program?

Ms. DODD. No, they don't.

Mr. WELLER. I see my time has expired. Thank you for being here. You both have presented yourself very well.

Chairman MCDERMOTT. Thank you. Mr. McNulty.

Mr. MCNULTY. Thank you, Mr. Chairman.

Mr. Noble, thank you for being here today and for sharing very personal aspects of your life. I know that you are taking medication for your depression. What are you currently doing with regard to your addiction to alcohol?

Mr. NOBLE. I go to self-help groups, and I have a close community of friends that I communicate with on an almost daily basis, almost every day.

Mr. MCNULTY. How is that coming along? How long have you been sober now?

Mr. NOBLE. Since December of 2001.

Mr. MCNULTY. Congratulations.

Ms. Bezear, I would like to follow up on the Chairman's questions about just the practicality of trying to live on that limited income for you and for your daughter, and if it is not too personal—if it is too personal, just tell me so, but if it is not too personal, can I ask you about the diet that you are able to afford on such a restricted income? Is that a struggle?

Ms. BEZEAR. Of course it is a struggle. It just—I am just barely managing. Like because right now, my priority like I said, was trying to get a better education for my daughter so she won't have to go through the same thing I am going through. I am paying college loans. I am doing my food and everything with the money I make, and so I barely get by on what I do. I work two jobs, and I bring home a limited amount of money, that is what the $300 is what I bring home after taxes taken out. So, it is very limited.

Mr. MCNULTY. I presume that your nutrition needs therefore are a major concern?

Ms. BEZEAR. Of course it is. As I said, it is hard. I am barely making it, but I am able to like kind of do what I gotta do. Okay, like that. That is basically what I—basically what I do right now.

Mr. MCNULTY. On another matter, you don't have health insurance. You don't have Medicaid. What do you do if you get sick or your daughter gets sick?

Ms. BEZEAR. There is nothing I could do right now because I am waiting for results and like I said, I am hoping they don't say that my Medicaid that—$300 is no money but through Medicaid, they say you got to work a certain amount and now that my daughter is 21, she is no longer on my case now. So, that is when they

took her off, and that is one thing like I would like to state that I think there should be programs where kids like her, they are going to school, they should still have—continue with their Medicaid and health insurance.

Mr. MCNULTY. Thank you very much. Thank you, Mr. Chairman. I just wanted to thank you for your leadership on these issues through the years, and I look forward to working with you in your role as Chairman of this Committee, and I have been in public life a long time at the local, State and national levels, and people today ask me what my priorities are, and they think I am going to mention some project in the district or something. It goes back to the basics. In the year 2007, in the richest Nation on the face of the Earth, no one should be hungry. No one should be homeless. No one should be without adequate health care, and I believe that, under the leadership of Chairman McDermott, you will see some attention to these issues.

Thank you very much.

Ms. BEZEAR. Okay. Thank you.

Chairman MCDERMOTT. Mr. Herger.

Mr. HERGER. Thank you very much, Mr. Chairman, and Mr. Chairman, I want to congratulate you on your Chairmanship. I enjoyed very much the 6 years that we spent together here, and I recognize and want to congratulate you on your priorities in these areas. These areas certainly remain my priorities as well, so I thank you for this hearing.

I want to just commend each and every one of you for being here this morning, and even though there are very difficult situations that each of you have found yourselves in and, I might mention, for even those of us up here, no matter where you are, we find ourselves in difficult situations. When we come to this Earth, I think each of us has this little bag of challenges that we have, and everyone's is different. Yet, each and every one of us has them, and I want to thank you for the positive ways, as we have heard in your testimony, that you are working to deal with your challenges of rolling up your sleeves, of working to help yourselves better the situations that have been most challenging in your lives, and I would just like to ask you: With what experience you have had and with where you have been, do you have any recommendations? There is nothing like hindsight.

We look back and we say, "Gee, if I had to do that over again, I would do it this way, and I wish we would have had more common sense back when we were younger than we have now," but again, that is how we all are, but having said this, are there any of you who would like to give any comments on maybe what you would do differently or recommendations to others that you might do to help yourselves and that others might do to help themselves? For example, education, we know that is important, or some of these decisions we make.

I want to commend the two of you, Mr. Hawkins and Ms. Dodd, for your working together.

Mr. Hawkins, we heard from you, how you mentioned that, for whatever reason, you did not have a father in your life, but yet, you have learned from that that you want to be a father and are a father to your son. How commendable.

Mr. HAWKINS. Thank you.

Mr. HERGER. If we could just incorporate that into our communities. Being a father of nine and being married 31 years, boy, it is a challenge being married, more a challenge to my wife than it is to me, but the challenges of working together, the counseling you mentioned the two of you have had, we all go through that, and yet, that staying together and working to make it, how rewarding that is. So, I am kind of going around and around here. Are there any things that you would do differently or things that you see that would help to make your life and others' better if you could?

Mr. HAWKINS. I am not even sure at this point.

Ms. DODD. For me, education.

Mr. HERGER. Education?

Ms. DODD. Education.

Mr. HERGER. So, what would you have done differently if you had it to do over again or recommend to others, I might say?

Ms. DODD. Sit in classrooms.

Mr. HERGER. Pardon?

Ms. DODD. Sit in the classrooms.

Mr. HERGER. Stay in the classrooms. We see that, and that is really the key to doing well, education.

I want to commend you. I understand you are getting that high school diploma, and this idea—I want to commend you—college is so expensive with children, all the money that goes out, but yet, that is really such a key.

Ms. BEZEAR. Yes, it is. Uh-huh.

Mr. HERGER. Ms. Bezear, do you have any comments?

Ms. BEZEAR. Well, first, I think that the interest rates on loans are very high. There should be lower interest rates on kids that want to go to college. I think everybody—school is a necessity that you need in life to achieve something, because without—even with a GED, you need more than that. You need college; you need a college degree, and right now, that is something I want to get, but I cannot do that simply because I am working a job, and I am trying to maintain a life style for my daughter, and for me doing that, I want her to succeed in her life where I did not.

So, I think there should be more programs for kids, for the blue collar kids and mostly lower interest rates on college loans.

Mr. HERGER. Well, my time is up, but really what each of you are doing are, really, in your ways, being role models by the fact that you are working for your life and for others around you, and I want to commend you.

Mr. Noble, just a last comment here. There are so many today who struggle with this chemical imbalance and the different things that cause depression. I want to thank you for your hanging in there and for being drug free and alcohol free for these years.

Again, I want to thank each of you for coming here and your courage. Thank you very much.

Thank you, Mr. Chairman.

Chairman MCDERMOTT. Mr. Lewis.

Mr. LEWIS OF GEORGIA. Thank you very much, Mr. Chairman, and thank you, Mr. Chairman, for holding this hearing today. I appreciate your work, your leadership, your vision, your dedication, to this issue.

I appreciate each and every one of you for being here today, and Ms. Crawley, Ms. Bezear, I appreciate your emphasis on education. I happen to believe that education is a great equalizer.

Ms. BEZEAR. That is right.

Mr. LEWIS OF GEORGIA. Ms. Crawley, I attended school in Nashville for 6 years. I grew up on a farm, very poor, in rural Alabama, and moved to Nashville in 1957 when I was 17 years old, and I want to welcome you here——

Ms. CRAWLEY. Thank you.

Mr. LEWIS OF GEORGIA [continuing]. And thank you for being here.

I do not understand it. I do not understand how people survive. I do not understand how you make ends meet. I know you believe, with your faith and everything, that you can make your way out of nowhere, but can you just tell me what it is like to survive each and every day?

Ms. CRAWLEY. Yes. Well, my faith is a big part of my life, and I depend on what my belief is to get me through the day, so I depend on that, first of all. I always put that first, and I just do what I have to do. It is hard being a single mom with two kids, and even though I work full-time, and I have a good job and they pay way more than minimum wage, it is still not a lot, and with children, you have to have child care.

If I work a full-time job, I have to have child care, which is very expensive, so it is hard with that. At the end of the month, I do not have hardly any money, but I have family that is in a better situation who can help me, and I just do what I have to do, and like I said, my faith, I believe, takes me through, and I know that to be. That is just my strength right there, and I hope for—I want to go back to school, and I plan on going back to school this fall because I want a better life for my children. They deserve a better life, so that is what I am working for.

Mr. LEWIS OF GEORGIA. When I was growing up, I heard my mother and father say over and over again "Go to school. Get an education so you will not have to go through what I am going through."

Ms. CRAWLEY. Right.

Mr. LEWIS OF GEORGIA. I like that idea that you have been hopeful and are looking to the future. You want things to be better for your children.

Ms. Bezear, tell me what it is like—I do not understand. How can you live in New York City? It is a very expensive place. I think the Chairman raised the question. How can you live in New York City on what you are making?

Ms. BEZEAR. As she said it, it is faith. Okay. You all make this totally—it is really a struggle.

Mr. LEWIS OF GEORGIA. It is an everyday struggle.

Ms. BEZEAR. An everyday struggle. I go through it every day. Again, I am going to work making sure I got things in my household, things like that. A phone is a necessity. I have to have a phone in my house. Okay. That is a necessity. I have to have that. As far as everything else, like for me to buy a new pair of sneakers, I do not buy that for myself because I cannot afford to do that for myself, okay? So, as I say, it is a struggle, and I am barely making

it by. So, that is why I place so much emphasis on education because education is the key for all of us, for my children and her children and all our children.

Mr. LEWIS OF GEORGIA. The two of you have been working. I wonder whether you have ever claimed the earned income tax credit when you have filed your taxes. You have?

Ms. BEZEAR. Yes, I have.

Ms. CRAWLEY. Yes.

Mr. LEWIS OF GEORGIA. Other family members and neighbors are claiming it?

Ms. CRAWLEY. I think so.

Ms. BEZEAR. Yes. We do work like that in community voices, tell people about the earned income credit and stuff like that let them know what they are entitled to out there. Like a lot of people did not know about earned income credit. It just recently came out that they got earned income credit, so that is one thing we had. We had community voices. We had talked to them about the earned income credit and how to go about it, and let them know that they are entitled to this money because that money is out there.

Mr. LEWIS OF GEORGIA. That is a very good thing to do.

Mr. Chairman, you may be interested in knowing our Subcommittee is going to hold a hearing on earned income tax credit this afternoon.

Chairman MCDERMOTT. Oh, good. Maybe they can stay around and listen, and they can get some good testimony about it.

Mr. LEWIS OF GEORGIA. Thank you, Mr. Chairman.

Chairman MCDERMOTT. Yes.

Next, Mr. Camp.

Mr. CAMP. Thank you very much, Mr. Chairman.

I want to thank all of you for coming here to testify. It is not easy to come before a Committee of the Congress and talk about your life, but it really is helpful to us to give us some insight into what we can do best to help you and others that are similarly situated, and, I wanted to ask, if it is not too personal, one of the common themes we have seen about poverty is that often people do not finish high school, and Ms. Dodd, I think you said, if you had one thing you would do over, you would stay in school.

What pressures—if you can just talk about, maybe not necessarily what you did, saw or faced, but what pressures are there that caused that to be such a big thing that so many students do not finish high school? We find that that is often a decision that has long-reaching consequences. If you could just, each of you, sort of talk about that, what sort of pressures, and Ms. Crawley, why don't we start with you.

Ms. CRAWLEY. Okay. Well, for me, it was, of course, that my daughter was hit by a car, so I could not finish school. I finished high school, but if I could go back, I would go to college as soon as I finished high school, and I would not wait. I got a job at Vanderbilt, and I thought it was a pretty good job, and I got comfortable, and I got settled in, and I was not thinking that I would lose my job years later because I did not get a college degree.

So, I would definitely finish college, but it is hard, and later on, when you have kids and a family, and of course, I did not know

that I would be divorced with two kids. I just did not know that would happen.

So, for me, I would definitely—it is just hard trying to raise kids and feed them because, when I had my kids, my life became them. I wanted them to have everything in life that I did not, and I want them to have such a better life than I do, so I always—right now, I try to look for a better school for them, so they are in Magna schools even though—I cannot afford private schools, so I try to do the next best thing.

So, everything for me is just for them. I do everything for them so they can have a better life and a good life, and it is hard because there are a lot of things that they want, and I cannot get it for them because I cannot afford it, so——

Mr. CAMP. All right. Thank you very much. Ms. Bezear.

Ms. BEZEAR. Okay. Me? Okay.

It was like—for me, it was like maybe just peer pressure. Okay. I dropped out. I came back after I thought about it. I seen what I was doing, and I knew, in order for me to get a job, I needed something better than just—I needed to get my GED, so I went back to school to get my GED, and so that is why, once again, I stress education because I want to be a role model for my daughter, so I cannot be a role model saying I dropped out of school and am staying home, so I chose to go back to school, to get a job, once again, to be a role model and let her see what I am doing so she could follow that and have a suitable and better life.

Mr. CAMP. All right. Thank you.

Mr. Noble.

Mr. NOBLE. Yes. As far as education goes, there was a lot of pressure on me to go to school when I was in high school, and a situation occurred in my senior year of high school where my parents split up and where my father was not in the house and my brother got really sick, and I stopped going my senior year, but there was still a lot of pressure on me by my mom, and she wanted me to go back, and so I went back.

I got my GED in 1978 here in the State of Maryland, and I got a job, and I worked for many years, and I took some classes at college, but then my drinking got progressively heavier, and I kind of lost interest. I just became interested in bringing home money and not improving my status, and eventually, it got so that my very life was in doubt because of my addiction.

So, since I have been sober, I have been able to go back to college, take college courses. I have not been able to get a job because of the courses yet, but it has not hurt. I have been able to get the Pell grant, too.

Mr. CAMP. All right. Thank you.

Mr. Hawkins.

Mr. HAWKINS. Well, I guess, for me, it was finances. College, school—going to school costs, so I guess, for me, it was like trying to find a job to actually have the money to go to college. Once I get situated, though, where I do find a good job to take care of my son, to get him situated, then I will go back to college to finish trying to pursue my dream.

Mr. CAMP. All right. Ms. Dodd.

Ms. DODD. For me, it was not peer pressure. I did everything because I wanted to do it. If I had just stayed in that Spanish class—I did not think that was a credit I needed to graduate. If I had stayed in that class just to see, I would have it. That was my only reason. I went to the twelfth grade. I did not have my Spanish credit to graduate, and that was the only reason, and by the time I was to go to summer school, they did not have Spanish as a class that I could pick up, so——

Mr. CAMP. All right. Thank you.

Thank you, Mr. Chairman.

Chairman MCDERMOTT. Ms. Berkley.

Ms. BERKLEY. Thank you, Mr. Chairman, and I also want to thank all of you for being here. This cannot be an easy thing to do, because I cannot imagine coming in front of a congressional Committee, a group of strangers looking at you, and sharing these experiences.

I keep thinking every time I listen to your stories that if not for the grace of God—I came from an immigrant family. They could not speak English. My dad has a ninth-grade education, but the breaks came my way, and they just—so much of this has to do with luck and staying healthy and not having broken homes and being able to keep it together, and there are certain tipping points in all of our lives where it just tips, and there does not seem to be anything you can do about it, but I think that is the purpose of Government. Government is supposed to provide that safety net and not have anybody in this country fall through the cracks, and I think that is where we need to step up to the plate. I do not think this country can afford to lose a single one of our citizens to bad luck, bad fortune, bad breaks, and it is our responsibility to make sure everybody has the opportunity and the ability to—it is not only to reach that American dream, but just to be able to tap into whatever part there is of them to move them in a forward position and take care of our families.

I am the mother of two kids, both of them in college right now. I know what it is like when they are asking you for things, and the tuition is beyond what you ever dreamed tuition could possibly be and knowing how important it is, yet, knowing you have also got to eat.

So, when I meet with my welfare-to-work moms in my district of Las Vegas—and I have got a relatively wealthy district, and yet, there are so many of my own constituents who are just getting by or not getting by, but when I meet with my welfare-to-work moms, what they tell me is—when I say, "What are the two things that you need more than anything?"

Obviously, they need good education and this and that, but what they need is child care to take care of their kids, so they can get out of the house, and transportation because it does not do you any good if you get the job training and you cannot get to work.

So, I think one of the things that we should be considering as a Committee, as time goes on, is how we are going to provide people with child care so you can get out of the house, get your GED and get the job that you want, and you need to take care of that little one and transportation to get to work, and that is the very

least that you should expect from your Government and that your Government should be able to provide to you.

So, I thank you very much again for being here. You make me proud, and you make me embarrassed at the same time that this Nation has not done enough for its citizens, and I thank you for being here.

Ms. BEZEAR. Thank you.

Chairman MCDERMOTT. Mr. Porter will inquire.

Mr. PORTER. Thank you, Mr. Chairman, and I, too, appreciate you all being here today.

I am from the State of Nevada, and we have unique challenges as does every community. What I appreciate so much is the fact that you are here today so we can learn from you, and I need your help.

What can we do to improve access? I know there are multiple Government agencies. There are different faith-based organizations, and I was in a meeting the other day in the Budget Committee where we look at the moneys being spent in this country, and we are spending about $600 billion, which is a lot of zeros—and I am not sure how many zeros—$600 billion a year on welfare programs. If you figure there are about 20 million poor kids, all with a face, all with a family, all with individual challenges, we are spending somewhere between $20,000 and $30,000 per poor child a year across this country. How much of that is really going to the child? I am very frustrated and very concerned. That is a lot of money a year, and I am sure that children would like to see some more of that money. So, I guess my question is:

What can we do as the Federal Government to help access, to make it easier so we can help you cut through layers and layers of red tape, whether it be from the Federal side and also from the faith-based side? I know, as deep-faithed myself and as, I believe, most everyone here does today, we depend a lot on our church, I am Catholic, and it is a great network, but what can we do to help you? What can you teach us so we can help you have better access to some of these programs? There is a lot of money out there that is going someplace, and it is not all going where it should go. So, that is my question.

Ms. Crawley, would you have an idea?

Ms. CRAWLEY. Sure, I think a smoother transition from like the Welfare to Work. If it was not such—when you start working and you are thinking, great, you get income, well, you have all of these other things that take your income immediately like child care—child care is so expensive—and then you have, like, child care and insurance. Like my insurance, they did let me keep it for 18 months.

Well, it expires this year, and the insurance where I work is so expensive that I will not be able to afford it because it is like $200 a paycheck, and I do not make that much now, just $21,000, and I do not know how I will be able to afford it. So, if there were programs out there for people who are starting to work but still need some support from the Government, maybe insurance or some help with child care—maybe if the Government did not pay all of the child care or all of the insurance but would give us some help, those are the things that can kind of hold you back, because even

though you are working a full-time job and you are making money, you are still having to spend so much money in all of those areas. You almost feel like you are not getting ahead.

Mr. PORTER. So, child care is really where you need help?

Ms. CRAWLEY. Yes.

Ms. BEZEAR. Okay. Like she says, child care is a necessity. I think it is high job wages. The wage in New York is just too low. You cannot survive on—what is it? $7.00. We need higher wages, and they keep saying we have programs out here, okay, different programs. There are programs. A lot of people do not know about the programs. They are not accessible to these programs.

Everybody does not have computers in their houses to find those different programs. Okay. There should be more job training and computer training so people will know how to find these programs. They say they are out there. They say, "Well, do you have a computer at home?" If you do not have a computer at home, you do not know how to find these different places. So, with me, I think it should be more job training, high living wages and more computer training for people who want to find out about different things to make their lives so they will not have to be such a struggle.

Mr. PORTER. Thank you.

Mr. Noble.

Mr. NOBLE. Yes. I would say the job training, I agree with Ms. Bezear, what she just said, about the job training, and if there were a program that I could have gotten into when I realized that I could function, okay—again, that I did not have to drink and that I could function—I think if I had been directed into that program and they said, "Look, we will teach you this, and then after you learn this, we will get you a job." I know that sounds simple, but I wish that that was the situation.

Then another issue that is important to me is health care because, like I say, I have not had health care since 2005. I just had it up until then. At first, I was covered under the State social seniors services, and then I got—when I was awarded SSDI, I had health care, but then when that got cut off, I have not had health care.

So, I have got to be doubly careful as to how I take care of myself. Of course, it is important all the time, and a couple times, I have gone to a local community clinic when I have had some real troubling significant colds, and I thought I may have had an ear infection, and so I went there, and those have come in really handy a couple times, and that is how I have been able to get by.

Thank you.

Mr. PORTER. Thank you. Mr. Hawkins.

Mr. HAWKINS. Well, I feel like everyone should be treated equally. Everyone should be given a chance to learn a certain skill, to learn many things in their lives. I just feel—like I said before, as far as like you finding a job, I still feel like some of the wages are too low because it is like, okay, you have a place. You are renting a house. Half the time your check is not even enough to cover your gas and electric and your rent. So, I just feel like we just need assistance in a lot of areas.

Mr. PORTER. Ms. Dodd.

Ms. DODD. Yes, basically the same thing as everyone said. Child care is really a major part. That is the biggest issue. Like, actually, it is real high, so regardless like they said, whatever job that you do have, after your rent, gas and electric, your check is gone. With child care, you have to find a way to maintain that. You do have cover charges, expenses, late fees—oh, gosh—all in one bunch, yes.

Chairman MCDERMOTT. Thank you very much. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman.

Ladies and gentlemen, Mr. Porter, my colleague from Nevada, and a number of my other colleagues, have raised the question of what Government can do, how Government can make certain programs work more efficiently. I was thinking, as I heard him ask the question, and as I heard others ask the question, one thing the Government can do is stop doing harm.

One thing the Government can do is stop cutting programs that need to be sustained and that need more money. One thing the Government can do is to stop moving in the wrong direction, and I made some notes just to remind me, and I wanted to share some things with you that you probably are not aware of and that most people in the audience are not aware of.

When I first came to the Congress in 2003, we spent about a year arguing over something—it is pretty amazing. We were arguing over whether families making less than $26,000 a year should get another $400 worth of tax credit for their children, and you would think that would not be a big argument. We were not allowed to even vote on it at first, and then we had to spend a year trying to push, and Mr. Rangel, the Chair of the Committee, worked very hard on this, and I worked on it. Mr. Rangel was kind enough to let this freshman Member from Alabama work with him on the issue. It took us a year to make it happen.

There is something else you may not know. There was a vote in the last Congress, and the purpose of the vote was to save money to help do some of the things we had to do after Katrina, and you all may not know how the Congress saved some of the money. There was a decision made to go to 13 million families who were on Medicaid, a program for low-income people, it helps them get health care, and the Congress went to those 13 million people and said, "You need to pay more money to go to the doctor. You need to do a higher co-pay," and it is estimated that 65,000 of those people will now fall off the program because they cannot make the co-pay.

Well, in fact, I have got right here a copy of a document related to the President's budget that he submitted just last week, and I was looking through the summary that the Budget Committee prepared on what the President wants to do, and I noticed that, on pages 10 through 12, there are three pages' worth of cuts to everything from low-income energy assistance to raising copayments, again, for people on Medicaid.

Later on in this document, it talks about the fact that, with 9 million children who do not have health insurance, the President does not want to put enough money on the table to cover even the ones we are already providing coverage for.

Ms. Bezear, you talked about how much money it costs to go to school. There is a program called the "Perkins Loan" that helps a

lot of families at junior colleges go to school, and the President wants to cut out the program all together, and I could go on and on and on. There are a lot of—I just do not want to let the institution off the hook.

I am very proud of all of you for being here, and I certainly want to join in all of the nice things that people have said about you, but I do not want to let those of us sitting on this dais off the hook. I do not want to let this hearing go by without saying to you:

As for everything that I have described to you, Congress votes on it. Congress gets to cast a vote, and I left an important one out. Even though there is no one here this directly affects, it appears, there was a vote in the Congress about 7 months ago that said that American citizens, children who were born in this country—if their parents came here illegally, there was a vote that would prevent them from getting food stamps any longer, and that just struck me as a somewhat bizarre choice because, as you know, if you are born here, you are a citizen, and you do not control where you are born, and I do not recall a complementary vote to abolish hunger with those kids.

So, I just want to end my time by saying please do not have the illusion that these things just happen, that these choices get made. They are a function of real live people whom you elect to office, casting votes and making decisions and putting money in one pot as opposed to another pot, and I know this Chairman and the leadership of this Committee is committed to reversing that direction, and it is, in my opinion, high time that we reversed it.

Thank you.

Chairman MCDERMOTT. Thank you. Mr. Stark.

Mr. STARK. Thank you, Mr. Chairman, and congratulations on your new position, one that I held back in the early seventies, and it was a proud time, and I want to thank the panel for joining us today and sharing some of your experiences.

We are going to hear later—you might want to stick around—from some people who are going to suggest that you are not really poor. They are going to talk about the fact—I will bet all of you have a television. Just imagine that. You all have a telephone? Why is that? You have a garbage disposal? We did when I was a kid. My brother was the garbage disposal.

How many of you have a dishwasher? We had a dishwasher in my home back in the thirties. I was it. So, I know about those expensive things that you can provide people that are supposed to suggest that you are not in poverty.

I hope that we will not be so inhumane in treating people. I just want to point out to you—because you have all mentioned education, and we talked a year or 2 ago about the fact that, of all of the students who entered high school this past September in the United States, across the land, of those children who are not white, only half will ever graduate, and that has been going on for a number of years, and tell me, because you are struggling with this, what does a youngster—let us say he or she drops out when they are about to be a sophomore.

Maybe they have got eighth grade reading and math skills. What do they do? Will this young lady maybe get pregnant and really

have no way to get an education and support? What does a young guy do?

Mr. Hawkins, what does a young guy do? He drops out of high school. He is 15 or 16. What is there for him?

Mr. HAWKINS. Nothing. Basically, nothing.

Mr. STARK. Trouble, maybe?

Mr. HAWKINS. Living on the streets.

Mr. STARK. Yes. So, we have got a big job ahead of us, and you will help us just by reinforcing our commitment to try and do the right thing, and thank you so much for taking the time for being here. I appreciate it.

Mr. Noble, I think this Committee and one of its other Subcommittees is going to demand parity for mental health care and Medicaid/Medicare and insurance so that we can expand treatment for people who need other than acute care treatment, and I hope that helps, too.

Thanks, Mr. Chairman, for a very fascinating panel.

Mr. WELLER. Mr. Chairman.

Chairman MCDERMOTT. Yes, Mr. Weller.

Mr. WELLER. Mr. Chairman, my good friend from Alabama, Mr. Davis, was sharing some examples of actions by this Congress over the last few years, and one statistic I would like to share with those on the panel—it maybe something you may not know—is today we spend about $600 billion providing needs-based assistance to Americans. That is both at the State and Federal level.

In 1996, when welfare reform was passed into law and passed by a Republican Congress, and signed into law by a Democratic President, I considered it a bipartisan accomplishment. The Federal Government spent a little over $268 billion in providing assistance to needs-based benefits for families. In 2004, we invested $427 billion, so we increased funding over a period of almost 10 years by $160 billion in additional help to low-income families on needs-based benefits. So, I thought it was something you may not know as well.

Thank you, Mr. Chairman.

Chairman MCDERMOTT. Thank you, all of you, for coming.

As Mr. Stark has said, we started with a panel like this because we wanted to hear some real people and hear what people actually on the ground deal with. So, thank you all for coming. It is difficult to sit and share your personal experiences with the pain that goes with it, but it is useful to us to know and for us to know as something to think about when we are working on law. So, thank you very much for coming.

Our next panel is comprised of a number of experts on the whole question of poverty. The snow in northern New York made it impossible for one of our people to get here, Dr. Smeeding from Syracuse, but he is replaced by Dr. Burtless from the Brookings Institute.

Chairman MCDERMOTT. Please take your seats up here at the table, and we will begin. We are facing four votes over in the Congress. It was supposed to start 5 minutes ago, but it has not moved, so we hope that we can get started with you, and get as much of you done before we have to run off. As you know, today is the day we are voting on the Iraq War, which has something to

say about the—or we are not voting on it. We are going to talk about it for a few days but, ultimately, vote about it, and so it has made this a little bit difficult.

Why don't we start with you, Dr. Burtless. Thank you for filling in on such short notice, and the floor is yours for 5 minutes.

STATEMENT OF GARY BURTLESS, THE BROOKINGS INSTITUTION

Mr. BURTLESS. I am very honored to testify before this Subcommittee. As you said, I am an economist at the Brookings Institution. Tim Smeeding cannot be here, and I am a very imperfect substitute for him. Let me just briefly discuss three points that he raised in his prepared testimony.

Where does the United States stand in the world poverty tables, both with respect to overall poverty in the country and with respect to child poverty?

Second, what factors help to account for the relative standing of the United States in the poverty league standings?

Finally, what can purposeful public policy do to alleviate measured poverty in a country? Tim here looks specifically at what the United Kingdom has done over the last decade.

Let me pass over details of how poverty ought to be measured in an ideal world, and let us just talk about how we can measure poverty across countries with the statistics that are available to us. Let me say, parenthetically, that these statistics are available to us because of the hard work and energy of Tim Smeeding.

The definition actually available to us measures relative poverty. How many people have, after taxes, cash and near cash incomes that place them below one-half the median income in a country? Median income is measured to adjust for differences in-household size, and it reflects the taxes that people have to pay, and it counts the cash and near cash benefits that they receive.

This diagram shows overall poverty under this definition. Poverty is higher in the United States than it is in all but one of the other 20 countries in the graph. The only exception is Mexico, which is, by a very wide margin, the poorest country of the 21 in the table. The United States has a poverty rate overall of about 17 percent. The average poverty rate of all 21 countries is a little less than 11 percent.

How did we get so far above other advanced countries? The United States has an even worse relative performance when we look at the child poverty rate. Again, only one of the other 20 countries has a child poverty rate above that in the United States, and again, it is Mexico. The average poverty rate among children in all 21 countries is a little less than 12 percent. In the United States, the child poverty rate is about 22 percent.

Question Number 2 is: What explains the relatively poor performance of the United States in the poverty league tables? Why do we have so much more poverty? Tim highlights two factors. One is the prevalence of low-paying jobs in the United States. A second factor is that the United States spends relatively little on the programs that would directly reduce poverty in working age households and, in particular, in households that contain children.

This chart shows spending on cash and near cash public programs that provide transfers to non elderly households in these countries. It excludes spending on Medicaid and education, but it includes near cash benefits, for example, those on food stamps and housing assistance. It also includes tax benefits like the earned income credit.

The United States is the second line from the bottom in this chart. Only Mexico spends less as a proportion of its national income. The United States over the era covered by this chart spent between about 2.8 percent and 3.8 percent a year, higher during recessions, less at the end of long expansions. The other English-speaking countries here—Canada, Australia, the United Kingdom—spent about twice as large a share of their national income, and Northern European countries spent about 3 times the share of national income.

The spending differences are refleced, as this chart shows, in how prevalent poverty is amongst people who are less than 65 years old in a society. The countries that spend the smallest proportions of their national incomes on these kinds of direct poverty alleviation programs also have the highest rates of poverty amongst non elderly people in the population. The relationship can hardly be surprising. If public programs top up the cash and near cash incomes of the unemployed and the working poor, then fewer of them will be poor.

What about a country that takes a very determined stand and says, "Well, let us try to reduce child poverty in any way that we know how?" Tim points out that the United Kingdom has an experience that sheds light on this question. In about 1997, about a decade ago, Prime Minister Blair and his government committed that nation to achieving a dramatic reduction in the British child poverty rate. This chart shows that using a variety of policies, including some that imitated earlier programs in the United States, Britain made great progress. Our earned income credit was imitated largely by the British. Britain was able to dramatically reduce the prevalence of child poverty so that now it is less than it is here in the United States.

Thank you.

Chairman MCDERMOTT. Thank you.

[The prepared statement of Mr. Smeeding, as presented by Mr. Burtless follows:]

Statement of Timothy M. Smeeding, Ph.D., Director of the Center for Policy Research, Syracuse University

I. Introduction

Chairman McDermott and members of this Subcommittee, I thank you for the opportunity to testify before you. I sincerely applaud your willingness to examine the issue of poverty in the United States in comparative perspective. I hope my testimony is of great use to those on this panel and others who care about our most economically vulnerable families and disadvantaged children, especially.

The United States has a long tradition of measuring income poverty and weighing the effectiveness, successes, and failures of government policies aimed at poverty reduction. But for the most part, examinations of United States domestic antipoverty policy are inherently parochial, for they are based on the experiences of only our nation in isolation from the others. The estimation of cross-nationally equivalent measures of poverty and the comparison of programs that help reduce poverty, provide a unique opportunity to compare poverty rates and the design and effectiveness of American social policy and antipoverty policy with the experiences of other na-

tions. The Luxembourg Income Study (LIS) database, which undergirds this paper, contains the information needed to construct comparable poverty measures for more than 30 nations. It allows comparisons of the level and trend of poverty and inequality across several nations, along with considerable detail on the sources of market incomes and public polices that in large part shape these outcomes.

In this paper we use cross-national comparisons made possible by the LIS to briefly examine America's experiences in fighting poverty in the face of substantial and rising economic inequality, in a cross-national context. In so doing, we compare the effectiveness of United States antipoverty policies to those of similar nations elsewhere in the industrialized world. We attempt to answer the following questions:

Do other countries have an "official" poverty line in the sense that the United States does, or do they define poverty in a sort of de facto sense based on eligibility for various government programs?

How do poverty rates in other countries compare with the United States poverty rates?

What are the big drivers of poverty in the United States compared to other countries, with low wages, low-skill immigrants, and large numbers of single-parent families being the most prominent candidates?

We believe that there are lessons about antipoverty policy that can be learned from cross-national comparisons. While every nation has its own idiosyncratic institutions and polices, reflecting its values, culture, institutions, and history, wide differences in success and failure are evident from the comparisons that follow. And, there is evidence that such policies are becoming internationalized in their spread and evaluation (Banks, et. al. 2005; Francesconi and van der Klaauw 2007).

We begin by reviewing international concepts and measures of poverty, as they relate to the main measures used in domestic United States discourse. We follow with a discussion of the relationship between policy differences and outcome differences among the several countries, and consider the implications of our analysis for antipoverty policy in the United States. While all nations value low poverty, high levels of economic self-reliance, and equality of opportunity for younger persons, they seem to differ dramatically in the extent to which they reach these goals. Most nations have remarkable similarities in the sources of national social concern: births outside of wedlock and lone parent families; older women living alone; high unemployment; immigration pressures; low wages; and the sustainability of social expenditures in the face of rapid population aging and rising medical care costs. But they also exhibit differences in the extent to which working age adults mix economic self-reliance (earned incomes), family support, and government support to avoid poverty. And, in such comparisons the United States does not always look very supportive of work or low-income families.

II. Cross-National Comparisons of Poverty and Inequality: Methodology and Measurement

Who Measures Poverty and How?

Differing national experiences in social transfer and antipoverty programs provide a rich source of information for evaluating the effectiveness of alternative social policies in fighting poverty. While most rich nations share a concern over low incomes, poverty measurement began as an Anglo-American social indicator. In fact, "official" measures of poverty (or measures of "low-income" status) exist in very few nations. Only the United States (U.S. Bureau of the Census 2003b) and the United Kingdom (Department of Social Security 1996; Department of Work and Pensions 2005) have regular "official" poverty series. Statistics Canada (2004) publishes the number of households with incomes below a series of "low-income cutoffs" on an irregular basis, as does Australia.

In Northern Europe and Scandinavia the debate centers instead on the level of income at which minimum benefits for social programs should be set and on the issue of "social exclusion" (Atkinson, Cantillon, and Marlier 2005). Northern European and Scandinavian nations do not calculate low income or poverty rates. Most recognize that their social programs already ensure a low poverty rate under any reasonable set of measurement standards (Björklund and Freeman 1997).

While there is no international consensus on guidelines for measuring poverty, international bodies such as the United Nations Children's Fund (UNICEF), the United Nations Human Development Report (UNHDR), the Organization for Economic Cooperation and Development (OECD), the European Statistical Office (Eurostat), the International Labor Office (ILO), and the Luxembourg Income Study (LIS) have published several cross-national studies of the incidence of poverty in recent years. A large subset of these studies is based on LIS data.[1]

For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half

of national median income. In this study, we use the 50 percent of median income to establish our national poverty lines. We could have selected 30 or 40 percent of national median income as our relative poverty threshold because it is closer to the ratio of the official United States poverty line to median United States household (pre-tax) cash income. This ratio was only 27–28 percent in 2000, as compared to 50 percent in 1963 (Smeeding 2006; Appendix Table 1). However, we have decided to stay with the conventional 50 percent level in most of our analyses. Alternatively, the United Kingdom and the European Union have selected a poverty rate of 60 percent of the median income (Eurostat 2000, Atkinson et al. 2002). Previous research suggests more or less the same results regardless of the measure chosen (Smeeding 2006).

While the United States likes to think of itself using an "absolute" poverty measure, there is no one absolute poverty measure. All poverty measures are, in some sense, relative and are chosen to be appropriate for the context in which they are used. The World Bank and the United Nations Millennium Development movement define poverty in Africa and Latin America using an income threshold of $1 or $2 per person per day, and in Central and Eastern Europe a threshold of $2 or $3 per day. In contrast, the absolute United States poverty line is six to nine times higher than these standards and the European poverty line is almost double the United States line as a percent of median income. While we do not provide absolute poverty comparisons below, they also show the United States as having amongst the highest levels of poverty amongst all rich nations (Smeeding, 2006; Rainwater and Smeeding, 2004).

Other Measurement Issues

Comparisons of poverty across nations with LIS are based on many choices. A poverty line, a measure of resources such as (market and disposable) incomes, and an equivalence scale to adjust for family size, are all important precursors to accurate cross-national measurement of poverty status.

- Poverty measurement is based on the broadest income definition that still preserves comparability across nations. The best current definition is disposable cash and near cash income (DPI) which includes all types of money income, minus direct income and payroll taxes and including all cash and near cash transfers, such as food stamps and cash housing allowances, and refundable tax credits such as the earned income tax credit (EITC).[2,3] We use this income definition in the analyses which follow.
- For international comparisons of poverty, the "household" is the only comparable income-sharing unit available for almost all nations. While the household is the unit used for aggregating income, the person is the unit of analysis. Household income is assumed to be equally shared among individuals within a household. Poverty rates are calculated as the percentage of all persons of each type who are members of households of each type with incomes below the poverty line. We calculate the poverty rate for all persons and for children (17 and under) using this same poverty line.
- Equivalence scales are used to adjust household income for differences in needs related to household size and other factors, such as the ages of household members. In the United States poverty literature, a set of equivalence scales is implicit in the official poverty lines, but these are neither consistent nor robust (Citro and Michael 1995). For our cross-national analysis of *relative* poverty rates, however, we use a consistent scale, which is much more commonly used in international analyses. After adjusting household incomes to reflect differences in household size, we compare the resulting adjusted incomes to the 50 percent of median poverty line. The equivalence scale used for this purpose, as in many cross-national studies, which include both children and elders, is a single parameter scale with a square-root-of-household-size scale factor.[4]

We do not address either the well-being of poor in terms of hardships, or mobility in or out of poverty. Several recent cross-national poverty studies suggest that mobility in and out of poverty is lower in the United States than in almost every other rich country (Bradbury, Jenkins, and Micklewright 2001; Goodin et al. 2001).

III. Data

The data we use for this analysis are taken from the Luxembourg Income Study (LIS) database, which now contains almost 130 household income data files for 30 nations covering the period 1967 to 2002 (www.lisproject.org). Using this data one can analyze both the level and trend in poverty and low incomes for a considerable period across a wide range of nations. Because we are computing the level of relative poverty, and real living standards for several major policy relevant groups, we

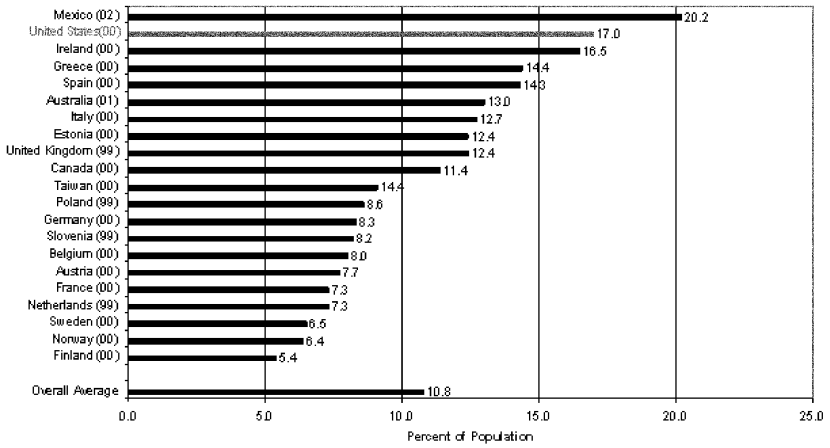
have selected 13–21 nations for this paper, each with a recent 1999–2000 LIS database. One can find relative poverty rates for all of the 30 LIS countries just by going to the LIS website and looking at the "key figures" at: (http://www.lisproject.org/keyfigures/povertytable.htm).

IV. Results: Level of Overall and Child Poverty

Relative poverty rates in 21 nations are given in figures 1 and 2 for all persons and for children. The overall poverty rate for all persons using the 50 percent poverty threshold varies from 5.4 percent in Finland to 20.2 percent in Mexico. The poverty rate is 17.0 percent in the United States, the second highest of all nations and the highest of all rich nations. The average rate of poverty is 10.8 percent across the 21 countries (Figure 1).

Higher overall poverty rates are found as one might expect, in Mexico, but also in Anglo-Saxon nations (United States, Australia, Canada, Ireland, and the United Kingdom), and southern European nations (Greece, Spain, Italy) with a relatively high level of overall inequality. Still, Australian Canadian and British poverty are about 12–13 percent and are, therefore, below the United States levels.

Figure 1.
Relative Poverty Rates in Twenty One Rich Nations at the Turn of the Century for all Persons
(Percent of ALL Persons with Disposable Income Less than 50 percent of Adjusted National Disposable Median Income)

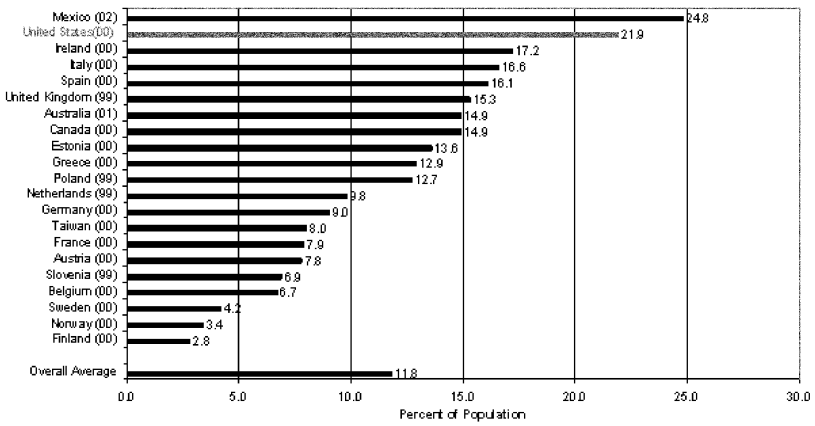


Source: Author's calculations from Luxembourg Income Study.

The lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland) where they are about 5 or 6 percent. Middle level rates are found in major European countries, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and where social assistance minimums are high. For instance, the Netherlands, Austria, Belgium, and Germany have poverty rates that are in the 8 to 9 percent range, while France is at 7 percent. Even the former Soviet block nations of Estonia, Poland and Slovenia, and Taiwan have much lower poverty rates than does the United States.

On average, child poverty is a slightly larger problem than is overall poverty in these nations, but the cross-national patterns are very similar (Figure 2). After Mexico, the United States child poverty rate is at 21.9 percent compared to the 11.8 percent average over these 21 nations. European child poverty rates are lower and Anglo-Saxon rates higher among these nations, but the United States is more than 4.0 percentage points higher than any other rich nation.

Figure 2.
Relative Poverty Rates in Twenty One Rich Nations at the
Turn of the Century for Children[1]
(Percent of CHILDREN with Disposable Income Less than 50 percent of Adjusted National Disposable Median Income)



Note: [1] Persons 17 or younger.
Source: Authors calculations from Luxembourg Income Study.

Moreover, note that the story is not one of poor immigrants, as two nations with substantially higher fractions of children born to foreigners, Canada and Australia, have child poverty rates that are both 14.9 percent, a full 7 percentage points less than the United States rate.

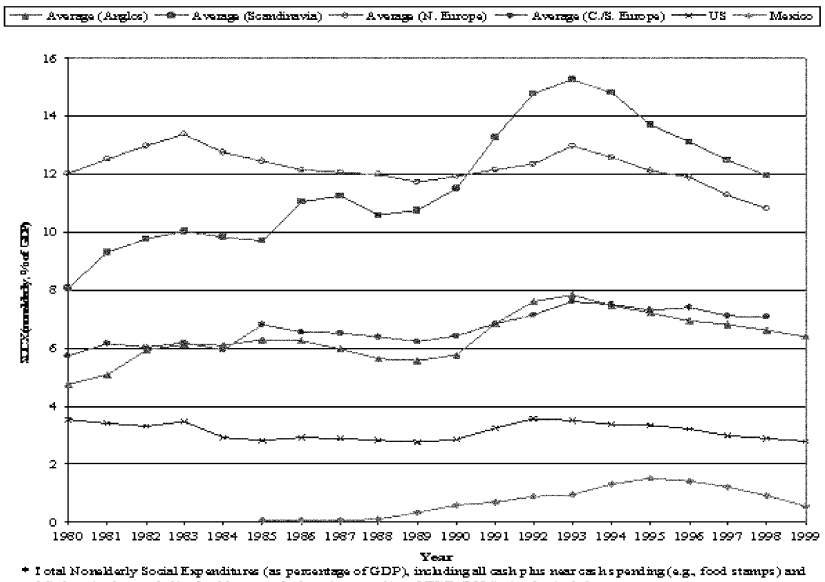
We do not present trends in poverty rates here for any nations, but in many nations though not all, child poverty has risen since 2000. This is most certainly the case in the United States but not in the United Kingdom (see Section VI below).

V. Towards Explanations: Cross-National Spending Patterns, and Relation of Spending and Pay to Poverty

We have seen clearly different patterns of poverty in the Unites States relative to other nations. What explains these differences? In short, the explanations are related to two things: the amount of support we give to the poor especially the working poor, and the level of wages paid in the United States compared to other nations. Redistributive social expenditures vary greatly across nations. The available evidence indicates that social expenditures (health, education, cash and near cash support) as a fraction of total government spending in OECD nations, ranges from 0.67 in Australia to 0.90 in Denmark and Sweden. That is, 67 to 90 percent of all government spending is made up of redistributive cash or in-kind benefits (Osberg, et. al. 2004). Thus, the topic of social expenditure is about most of what most governments actually do.

We present the trend in non-elderly cash and near cash (food, housing) benefits for OECD countries back over the past 20 years, using data from the OECD (2004) in comparable format in Figure 3. Here 17 OECD nations—all of the major nations except for the Central and Eastern Europeans—have been grouped into 6 clusters: Scandinavia and Finland (Finland, Norway, Sweden); Northern Europe (Belgium, Denmark, Netherlands); Central and Southern Europe (Austria, France Germany, Italy, Greece, Luxembourg, Spain); Anglo Saxony (Australia, United Kingdom and Canada); the United States and Mexico.

Figure 3. Nonelderly Social Expenditures in 6 sets of 17 Nations*



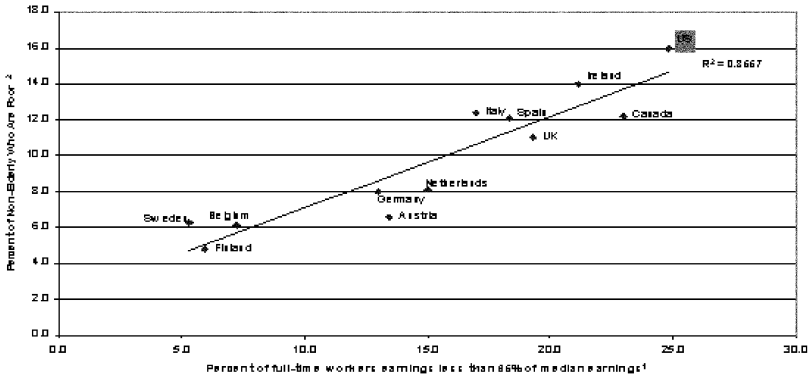
* Total Nonelderly Social Expenditures (as percentage of GDP), including all cash plus near cash spending (e.g., food stamps) and public housing but excluding health care and education spending. OECD (2004). Anglos include **Australia, UK, Canada**; Scandinavia includes **Finland**, Norway, **Sweden**; Northern Europe includes **Belgium**, Denmark, **Netherlands**; Central/Southern Europe includes Austria, **France**, **Germany**, Italy, Luxembourg, Spain.

The Scandinavian and Northern Europeans follow similar patterns—high levels of spending showing responsiveness to the recession of the early 1990s in Sweden and Finland, and a tapering after these events. The Central and Southern Europeans and the Anglo-Saxon nations show remarkably similar spending patterns, again with expenditures rising in the early 1990s, but overall at a level distinctly below that the other two groups. The United States is significantly below all these others and, by the late 1990s is spending at a level closer, in terms of a fraction of GDP per capita, to Mexico than to the other richer OECD nations.

These figures illustrate the wide differences that one can find for both levels and trends in social spending, using figures that abstract from financing of health care, education and retirement for the elderly. They also correspond very closely to the measures of money and near-money income poverty used in the analytic literature in this area, including that presented above.

A substantial fraction of the variance in non-elderly cross-national poverty rates appears to be accounted for by the cross-national variation in the incidence of low pay (Figure 4).

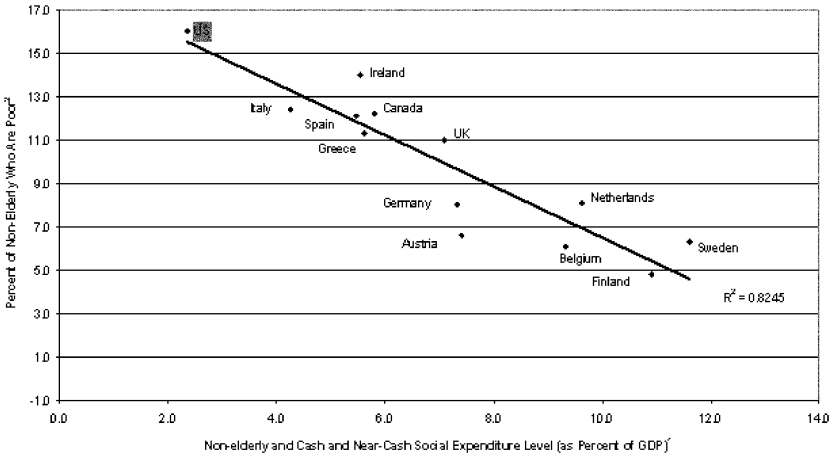
Figure 4. Relationship of Low Pay and Non-Elderly Poverty Rates in Twelve Industrialized Countries circa 2000



Because the United States has the highest proportion of workers in relatively poorly paid jobs,[5] it also has the highest poverty rate, even among parents who work half time or more (Burtless, Rainwater, and Smeeding 2001; Smeeding 2006). On the other hand, other countries that have a significantly lower incidence of low-paid employment and also have significantly lower poverty rates than does the United States.

But, the prevalence of low-pay workers is, in fact, not the only reliable predictor of poverty rates. While low pay is a good predictor of United States poverty rates, and while poorly-educated workers do not do well at keeping their families from poverty based on earnings alone, other factors, such as the antipoverty efforts of the government, are also important predictors of the poverty rate (Figure 5). Here we see that higher social spending reduces poverty.

Figure 5. Relationship of Cash Social Expenditures and Non-Elderly Poverty Rates in Thirteen Industrialized Countries circa 2000



Source: OECD (2006) and authors' tabulations of the LIS data files. Cash and non-cash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near cash housing subsidies, active labor market program subsidies and other contingent cash and other near cash benefits. Non-elderly benefits include only those according to household head under age 65.

Notes:

[1]Cash and non-cash social expenditures exclude health, education, and social services, but include all forms of cash benefits and near cash housing subsidies, active labor market program subsidies and other contingent cash and other near cash benefits. Non-elderly benefits include only those according to household head under age 65.

[2]Percentage of persons below 65 in poor households.

As a result of its low level of spending on social transfers to the non-aged, the United States again has a very high poverty rate. Even though social spending in general has an inverse correlation with poverty rates, different patterns of social spending can produce different effects on national poverty rates. Antipoverty and social insurance programs are in most respects unique to each country. There is no one kind of program or set of programs that are conspicuously successful in all countries that use them. Social insurance, universal benefits (such as child allowances), and social assistance transfer programs targeted on low-income populations are mixed in different ways in different countries. So, too, are minimum wages, worker preparation and training programs, work-related benefits (such as childcare and family leave), and other social benefits.

The United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situation of those workers. For over a decade, United States unemployment has been well below the OECD average, and until recently American job growth has been much faster than the OECD average. The strong economy coupled with a few specific antipoverty devices (like the expanded EITC) has produced most of the United States overall and child poverty reduction in recent years, though it is decidedly below the effects found in other nations (Smeeding 2005; 2006). Simply put, The United States does not spend enough to make up for low levels of pay, and so we end up with a relatively higher poverty rate than do other nations.

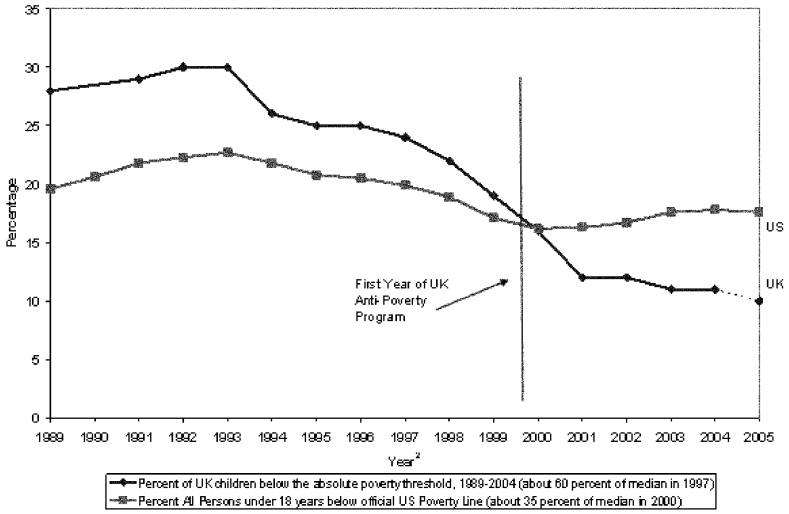
VI. A Tale of Two Countries

While acknowledging that the United States has greater poverty than other industrialized nations, many defenders of American economic and political institutions have argued that inequality plays a crucial role in creating incentives for people to improve their situations through saving, hard work, and investment in education and training Without the powerful signals provided by big disparities in pay and incomes, the economy would operate less efficiently and average incomes would grow less rapidly. In the long run, poor people might enjoy higher absolute incomes in a society where wide income disparities are tolerated than in one where law and social convention keep income differentials small (Welch 1999). According to this line of argument, wide income disparities may be in the best long-term interest of the poor themselves.[6] But, of course, there is no evidence that this is true (Burtless and Jencks 2003), and indeed there is some good historical evidence that higher social spending produces higher rates of economic growth and higher social well-being (Lindert 2004).

Our lower-income citizens' "real" incomes are at or below the incomes that most poor people receive in other rich countries that have less inequality (Smeeding 2005; 2006). The supposed efficiency advantages of high inequality have not accrued to low-income residents of the United States, at least so far. While the real incomes of families with children did rise in the latter 1990s (Blank and Schoeni 2003) they fell again after 2000, and most of the gains have been captured by Americans much further up the income scale, producing a conspicuously wide gap between the incomes of the nation's rich and poor children, elders, and adults.

In recent years, the United Kingdom and especially the United States economies have performed, in fact, better than many other economies where income disparities are smaller. Employment growth (even since 2001)has been relatively faster, joblessness lower, and economic growth higher than in many other OECD countries where public policy and social convention have kept income disparities low. Figure 6 compares child poverty in the United States using the same "absolute" or "real" poverty standards—the United States official poverty line (about 38 percent of United States median income in 1997) with the United Kingdom poverty line set at 60 percent of United Kingdom median income in 1996–1997.

Figure 6. Trends in Absolute Child Poverty: UK vs. USA, 1989-2005



Source: U.S. Census Bureau 2006; UK Office of National Statistics 2006 and Department of Work and Pensions.

In the United States we show official Census Bureau poverty estimates that reflect the current official United States income definition. Because United Kingdom incomes are about 67 percent of United States incomes in 1996, this turns out to be just about the same ?real' poverty standard.[7]

We noted earlier that these nations were very near the top ranked nations in terms of child poverty (Figure 2). We also note that child poverty in both nations began to fall without the help of policy from the mid to the late 1990's owing mainly to the strong wage growth and tight labor markets in both countries (Figure 6). But, then the patterns of child poverty beyond 2000 differ completely.

Why so? In 1997, Prime Minister Blair announced his nation would rid itself of high child poverty, and he instituted a wide set of policies to reduce child poverty. In 1999, they began to be implemented. By 2000–2001, child poverty in the United Kingdom (15 percent) was just about the same as in the United States measured against this same 'real' resource level. But as we entered the 21st century, and when both economies—and especially United States economic growth—turned sour, the United Kingdom continued to have policy driven reductions in child poverty while the United States poverty decline stopped and even reversed. The poverty rate for United Kingdom children has fallen to 11 percent by 2004, while the official United States child poverty rate was 17.6 at percent in 2005 according to the United States Census estimates. The 2005 estimate for the United Kingdom are not available, but projections show an even lower child poverty rate for 2005 once these figures are released in April of this year

Five years earlier, these low-income United Kingdom kids were worse off than were United States kids in real terms (Smeeding and Rainwater 2004). The reason for their improvement is that they have a leader who has set a national goal of improving living standards, and eradicating child poverty in Britain over the next decade; and who has matched his political rhetoric with some large measure of real and continuing fiscal effort that has already had an important impact (Waldfogel, et al. 2006; Francesconi and van der Klaauw 2007). In Britain, Prime Minister Blair has spent an *extra* .9 percent of GDP for low-income families with children since 1999 (Hills 2003). Nine tenths of a percent of United States GDP is about $120 billion. This is substantially more than we now spend on the EITC, food stamps, child-care support and TANF combined. The result of this spending in Britain is that child poverty rates in 2000 were 45 percent below their 1999 level, while real living standards for these children and employment of these mothers also rose (United Kingdom, Department of Work and Pensions 2005; Francesconi and van der Klaauw

2007). The real consumption levels of these children also increased dramatically over this period (Waldfogel, et al. 2006).

VII. Summary and Conclusions

As long as the United States relies almost exclusively on the job market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less skilled workers will inevitably have a big negative effect on poverty among children and prime-age adults. Welfare reform has pushed many low-income women into the labor market and they have stayed there as TANF roles continue to fall. Even with the $25.4 billion spent on TANF today, less than $10 billion is in the form of cash assistance; the rest is now in the form of child care, transportation assistance, training and other services (Pear 2003). While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty. In fact, serious gaps still exist, especially in the childcare arena and in family leave policy

Labor markets alone cannot reduce poverty because not all of the poor can be expected to "earn" their way out of poverty. Single parents with young children, disabled workers, and the unskilled all face significant challenges earning an adequate income, no matter how much they work. The relationship between antipoverty spending and poverty rates is of course complicated, but the evidence discussed above is very suggestive. United States poverty rates, especially amongst children, are high when compared with those in other industrialized countries. Yet United States economic performance has also been good compared with that in most other rich countries. As the British have demonstrated, carefully crafted public policy can certainly reduce poverty if the policy effort is made.

Of course, the high direct and indirect costs of our child poverty are now widely recognized in public debate (Holzer, et al. 2007). The wisdom of expanding programs targeted at children and poor families depends on one's values and subjective views about the economic, political, and moral tradeoffs of poverty alleviation. It is hard to argue that the United States cannot afford to do more to help the poor; particularly those that also help low-skilled workers. But is has not done so, so far (Shapiro and Parrott 2003; Holzer, et al. 2007). If the nation is to be successful in reducing poverty, it will need to do a better job of combining work and benefits targeted to low-wage workers in low-income families (e.g., see Ellwood 2000; Danziger, Heflin, and Corcoran 2000). There is already evidence that such programs produce better outcomes for kids (Clark-Kauffman, Duncan, and Morris 2003; Francesconi and van der Klaauw 2007; Waldfogel, et al. 2006).

Given the political disposition of the American public, a 5 percent overall relative poverty rate is not a plausible goal. A gradual reduction in the overall poverty rate from 17 percent overall and 21 percent for children, to a level of 10–12 percent using the 50 percent of median standard is certainly feasible, however. Although this rate would represent a considerable achievement by the standards of the United States, it is worth remembering that a 12 percent overall poverty rate is higher than the average overall and average child poverty rates in the 21 nations examined here, and would put us just below the poverty levels of our Irish, Australian, British, and Canadian counterparts.

Endnotes

[1] See for UNICEF (2005), Bradbury and Jäntti (2005) for the United Nations (1999); for the OECD, see Förster and Pellizzari (2005); for the European Union, see Eurostat (2000) and, for LIS, Jäntti and Danziger (2000), Smeeding (2005, 2006), and Rainwater and Smeeding (2004).

[2] See Atkinson, Rainwater, and Smeeding (1995) and Canberra Group (2001) for more on this income definition and its robustness across nations. Note that the use of this "LIS" disposable income concept is not unique to LIS alone. Eurostat and OECD have independently made comparisons of income poverty and inequality across nations using identical or very similar measures of net disposable income.

[3] This income definition differs from the Census income definition used in most poverty studies. Still, the internationally comparable measure of income does not subtract work-related expenses or medical care spending. In particular, there is no account for provision of or costs of childcare. The EITC and similar refundable tax credits and nearcash benefits such as food stamps and cash housing allowances are included in this income measure, however, as are direct taxes paid.

[4] Formally, adjusted disposable income (ADPI) is equal to *un*adjusted household income (DPI) divided by household size (S) raised to an exponential value (e), $ADPI = DPI/S^e$. We assume the value of e is 0.5. To determine whether a household is poor under the relative poverty measure, we compare its ADPI to 50 percent of the national median ADPI. National median ADPI is calculated by converting all incomes into ADPI and then taking the median of this "adjusted" income distribution. The equivalence scale that we employ is robust, especially when comparing families of different size and structure (e.g., elders and children). See Atkinson, Rainwater, and Smeeding (1995) for detailed and exhaustive documentation of these sensitivities.

[5] There are no figures for low pay in the other nation studied here, especially none for Mexico.

[6] A lucid presentation and analysis of this viewpoint can be found in Okun (1975). See also Welch (1999).

[7] Notice that these estimates are entirely consistent with those presented in Figure 2 earlier for the United Kingdom 1999 and United States 2000, using the LIS data. The difference is that we can go beyond the LIS to later years now using these comparable figures fro these two nations alone.

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Chairman MCDERMOTT. Our next witness is Mr. Berube. Did I pronounce it right.

Mr. BERUBE. "Bah-rue-bee."

Chairman MCDERMOTT. Berube.

STATEMENT OF ALAN BERUBE, FELLOW, METROPOLITAN POLICY PROGRAM, THE BROOKINGS INSTITUTION

Mr. BERUBE. Thank you, Mr. Chairman and other Members of the Committee. My name is Alan Berube. I am a fellow also at the Brookings Institution, and I am Research Director for the Metropolitan Policy Program there. I am going to make three brief points in my oral testimony.

First, a significant fraction of poor families in America live in environments of extreme concentrated poverty. Second, at the same time, the locus of U.S. poor and low-income populations is shifting toward the suburbs, and third, I think public policies can confront specific challenges to economic mobility that arise from this new geography of poverty.

So, to begin, the Federal Government's definition of "poverty," as you all know, measures a family's resources against an assessment of its basic needs. For most Americans, though, I think the idea of poverty also elicits visions of inner cities, Appalachia, the Mississippi Delta, American Indian reservations. That is to say that poverty describes places as well as people, leading researchers to find concentrated poverty as the proportion of poor people who live in very poor neighborhoods, those where at least 40 percent of all individuals are below the poverty line, and in the words of one researcher, the measure identifies the poor who not only have to cope with their own poverty, but also that of those around them.

Nationwide, about 1 in 10 poor individuals in 2000 lived in communities of such extreme poverty, and though that rate fell during the nineties, concentrated poverty remains widespread today as the example New Orleans made clear. Indeed, 48 of 50 States and 46 of the Nation's 50 largest cities contained at least one area of concentrated poverty in 2000. In Fresno, California, for instance, near-

ly half of the poor residents of that city lived in extremely poor neighborhoods.

Researchers have identified a series of problems arising from concentrated poverty, including worker disconnection from jobs and job networks, higher priced and lower quality local goods and services, local schools that are at greater risk for failure, negative health outcomes, and elevated costs for local governments to create municipal fiscal burdens.

While these highly distressed urban and rural areas remain a significant feature of the U.S. poverty landscape worthy of our continued attention, recent decades have also seen a steady shift of the Nation's low-income populations toward suburbia.

In a recent study that we conducted at Brookings, it found that, for the first time in 2005, a majority of poor residents in the Nation's 100 largest metropolitan areas actually lived in the suburbs. In fact, many cities such as Detroit, Los Angeles, Miami, and Washington, D.C. all have fewer residents living in poverty than their suburbs do.

I know some might consider the suburban poor to have escaped the problems associated with inner city and remote rural poverty. Evidence suggests that they, too, face other unique challenges. First, many suburban, low-income families remain stuck on what some people call the "wrong side of the region"—to the south, areas like Atlanta, to the east in regions like Washington, D.C.—and they face housing, education and transportation challenges not dissimilar from their inner city counterparts.

Second, social services providers in most regions are still concentrated in central cities. Even smaller, often faith-based, suburban providers struggle to serve growing numbers of local families in need, and third, low-income workers in the suburbs are often forced to double and triple up in single-family housing due to a lack of affordable rental units there.

In recent months, the issue of economic mobility in America has drawn new attention. I think that focus has been fueled by estimates that, for instance, only 20, perhaps 25 percent of children who were born into the bottom fifth of the Nation's income distribution will achieve at least a median income as adults. Most studies and evaluations conclude that neighborhoods, themselves, communities, have smaller effects on the economic mobility of the poor than do family characteristics.

So, I think, therefore, public policies that foster healthy family environments and more equitable opportunities for children regardless of where they live, such as early education or labor market supports for disconnected adults, deserve primary consideration. Yet, I believe public policy can also confront particular challenges of place that may blunt the impact of more universal investments and mobility.

First, targeted wage boosts can expand low-wage workers' neighborhood options, and an enhanced earned income tax credit, for instance, could make more housing in more neighborhoods affordable to working families, especially if a portion of the credit were delivered throughout the year. Second, programs that provide temporary support and training to low-income families, such as those

funded under TANF and the Workforce Investment Act, should serve workers and employers across city and suburban lines.

I think Congress could examine information sharing and incentives within these programs with an eye toward growing more high-performing regional institutions, workforce intermediaries—Project QUEST in San Antonio, WIRE–Net in Cleveland are a couple of examples.

Third, participation gaps could be narrowed in key supports like the earned income and child tax credits, food stamps, subsidized health insurance especially for the suburban working poor where those gaps may be greater. Congress could require Federal agencies to more closely track participation in these programs, strengthen incentives to achieve higher participation rates and provide modest supports in nonprofits, such as the Center for Economic Progress in Chicago, that facilitate program involvement for working families.

So, in closing, I would like to thank the Subcommittee for the opportunity to testify, and I look forward to your questions.

Chairman MCDERMOTT. Thank you.

[The prepared statement of Mr. Berube follows:]

Statement of Alan Berube, Fellow, Metropolitan Policy Program, The Brookings Institution

Mr. Chairman and other members of the Committee, thank you for the invitation to testify today on the changing geography of poverty in the United States and its implications for economic mobility and well-being, the subject of recent research we have conducted at the Metropolitan Policy Program at the Brookings Institution.

In this testimony, I will make three points regarding poverty, geography, and mobility in the United States.

- A significant fraction of poor families in America live in environments of extreme, concentrated poverty.
- At the same time, the locus of U.S. poor and low-income populations is shifting toward the suburbs, along with Americans in general.
- Each geographic setting provides both challenges and opportunities for promoting the economic mobility of low-income families, with attendant implications for public policy.

The enduring challenge of concentrated poverty

The federal government's definition of poverty measures a family's resources against an assessment of its basic needs. For most Americans, though, the image of poverty entails more than these individual or family circumstances. It also elicits visions of inner cities, Appalachia, and American Indian reservations. That is, poverty describes places as well as people. What is more, poverty implies something about the local conditions faced by many poor individuals and families in these places: unsafe neighborhoods, failing schools, substandard housing, inadequate private services, and diminished community hope.

Concentrated poverty represents the confluence of these two ideas of poverty in America. It concerns the tendency, in many corners of our country, for poor populations to be clustered into very poor communities. While Hurricane Katrina and its aftermath in the city of New Orleans motivated much of the recent focus on concentrated poverty and its effects, many poor Americans face the double burden of family and community distress in a wide variety of places, both urban and rural.

As defined by Paul Jargowsky of the University of Texas-Dallas, the statistical measure of concentrated poverty expresses the proportion of poor people who live in neighborhoods where at least 40 percent of all individuals live below the poverty line. In his words, the measure identifies "the poor who not only have to cope with their own poverty, but also that of those around them."

Nationwide, about one in ten individuals below the poverty line in 2000 lived in communities of such extreme poverty. That rate fell during the 1990s, after roughly

doubling between 1970 and 1990.[1] The strong economy in the latter half of the decade, coupled with policy reforms that broke up the most severe concentrations of distressed inner-city housing, appear to have weakened the link between poverty and place in most major metropolitan areas.

As the example of New Orleans made clear, however, a significant fraction of poor families—especially poor minorities—continue to live in areas of extreme poverty. Moreover, these pockets of distress can be found in every corner of the country. Indeed, 46 of the nation's 50 largest cities contained at least one neighborhood that met the 40-percent concentrated poverty threshold. At the moment, my program at Brookings is collaborating with the Federal Reserve System to study the causes and effects of concentrated poverty across America, in communities as varied as Rochester, NY; Miami, FL; the Mississippi Delta; McKinley County, NM; and Fresno, CA. Fresno was the only U.S. city with a higher degree of concentrated poverty than New Orleans before the storm, with almost half of its poor residents living in extreme-poverty neighborhoods.

The forces that gave rise to these communities are numerous, diverse, and well-studied, including:

- The long-term economic decline of former urban manufacturing centers[2] and rural areas that depended on agriculture and extraction industries;
- Suburbanization and out-migration of middle-class households from cities in the 1970s and 1980s;[3]
- Housing, lending, and land-use policies that reinforced patterns of racial and ethnic segregation;[4]
- New waves of lower-skilled immigrants and refugees to the U.S. in the latter part of the 20th century;[5] and
- Secular trends in family formation that resulted in more children growing up in single-parent, single-earner households, especially in inner-city neighborhoods.[6]

The consequences of growing up and living in environments of extreme poverty may vary as widely as the factors themselves that gave rise to these communities. Nonetheless, researchers have identified a series of problems evident in most areas of high poverty that result from their concentrated economic disadvantage, and that affect not only the inhabitants of these neighborhoods, but their surrounding areas as well:

- *Concentrations of lower-income households and less-skilled workers lead the private sector to disinvest in these communities.* In turn, fewer mainstream businesses compete for their purchases, raising prices for some basic goods and services. The disinvestment may also widen the "spatial mismatch" between workers in these neighborhoods and growing employment centers.[7]
- *Low levels of labor force attachment may sever these areas from the informal networks that help workers find good jobs and advance in their careers.* Some argue that these high levels of joblessness change community norms about work, so

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[1] Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" (Washington: Brookings Institution, 2003).

[2] See, e.g., John Kasarda, "Urban Industrial Transformation and the Underclass." *Annals of the American Academy of Political and Social Science* 501 (1989): 26—47.

[3] See, e.g., Kathryn Nelson, "Racial Segregation, Mobility, and Poverty Concentrations." Paper presented at the Annual Meeting of the Population Association of America (1991).

[4] See, e.g., Douglas Massey and Mitchell Eggers, "The Ecology of Inequality: Minorities and the Concentration of Poverty, 1970–1980." *American Journal of Sociology* 95 (1990): 1153–1189; Rolf Pendall, Robert Puentes, and Jonathan Martin, "From Traditional to Reformed: A Review of Land Use Regulations in the Nation's 50 Largest Metropolitan Areas" (Washington: Brookings Institution, 2006); Margery Austin Turner, Susan J. Popkin, and G. Thomas Kingsley, "Distressed Public Housing: What It Costs to Do Nothing" (Washington: Urban Institute, 2005); Glenn Canner, "Redlining: Research and Federal Legislative Response." Staff Studies 121 (Board of Governors of the Federal Reserve System, 1982).

[5] See, e.g., Audrey Singer, "The Rise of New Immigrant Gateways" (Washington: Brookings Institution, 2004).

[6] See, e.g., William Julius Wilson, *When Work Disappears* (New York: Alfred A. Knopf, 1996).

[7] Keith Ihlanfeldt and Daniel Sjoquist, "The Spatial Mismatch Hypothesis: A Review of Recent Studies and their Implications for Welfare Reform." *Housing Policy Debate* 9(4)(1998): 849–92; Matt Fellowes, "From Poverty, Opportunity: Putting the Market to Work for Lower-Income Families" (Washington: Brookings Institution, 2006).

that children under-invest in the education and training necessary for labor market success.[8]

- *Even with the expanded school choice options available today, children who live in extremely poor urban neighborhoods generally attend neighborhood schools where nearly all the students are poor.* This places students at greater risk for failure, as expressed by low standardized test results, grade retention, and high drop-out rates. These schools struggle to attract the best personnel, endure high rates of student mobility that frustrate classroom stability, and must operate additional systems to cope with disorder and the social welfare of their students.[9]
- *High-poverty areas generally exhibit higher crime rates, especially violent crime.* In these neighborhoods, the social penalties for criminal activity may be lower, and reduced access to jobs and quality schools may lower the opportunity costs of crime.[10]
- *People in areas of extreme poverty experience negative health outcomes at much higher rates.* This owes partly to the stress of being poor and marginalized, and partly to living in an environment with dilapidated housing and high crime. Researchers have associated the incidence of depression, asthma, diabetes, and heart ailments with living in these neighborhoods.[11] Others have found that these neighborhoods may serve to increase the risk of premarital childbearing among young female residents, and decrease their rates of marriage.[12]
- *As research from municipal finance experts has shown, concentrations of poverty generate high costs for local governments.* These higher costs appear in areas such as welfare, health, and public safety, and can divert resources from the provision of other public services and raise tax burdens on local businesses and non-poor residents.[13]

The suburbanization of poverty

In keeping with these statistics on concentrated poverty, urban and rural visions of poverty in America tend to dominate popular perceptions and media accounts. Such viewpoints were well-supported in 1970, when central cities and rural areas contained roughly four in five poor Americans.[14]

As described above, these areas remain a significant feature of the U.S. poverty landscape, especially the most distressed portions. Yet recent decades have seen a steady shift of the nation's overall low-income population towards the dominant geography of American life today: suburbia.

The findings from a recent study we conducted at the Brookings Institution amplify this shift.[15] Focused on the nation's 100 largest metropolitan areas (home to two-thirds of U.S. population), the study found that between 1999 and 2005 the poverty *rate* in these areas rose overall, with similar increases in central cities and suburbs. In 2005, central-city residents remained about twice as likely as their suburban counterparts to live below the poverty line.

As to the location of the overall poor population, however, the study found that in 2005, 52 percent of metropolitan residents living below the poverty line were found in suburbs, versus 48 percent in central cities. This signaled a notable tipping of poor populations towards the suburbs since 1999, when a bare majority of the metropolitan poor lived in cities.

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[8] Philip Kasinitz and Jan Rosenberg, "Missing the Connection: Social Isolation and Employment on the Brooklyn Waterfront." *Social Problems* 43(2)(1996): 180–196; Wilson, *When Work Disappears*.

[9] Brian Jacob, "The Challenges of Staffing Urban Schools." *The Future of Children*, forthcoming 2007; Ruth Lupton, "Schools in Disadvantaged Areas: Recognizing Context and Raising Quality" (London: LSE Centre for the Analysis of Social Exclusion, 2004).

[10] Ingrid Ellen and Margery Austin Turner, "Does Neighborhood Matter? Assessing Recent Evidence." *Housing Policy Debate* 8(4)(1997): 833–866; Robert Sampson and William J. Wilson, "Toward a Theory of Race, Crime, and Urban Inequality." In J. Hagan and R. Peterson, eds., *Crime and Inequality* (Stanford University Press, 1995).

[11] Roberto Quercia and Lisa Bates, "The Neglect of America's Housing: Consequences and Policy Responses." Working Paper 2002–02 (University of North Carolina at Chapel Hill, 2002); Deborah Cohen et al., "Neighborhood Physical Conditions and Health." *Journal of American Public Health* 93(3)(2003): 467–71.

[12] Scott Smith and Kyle Crowder, "Neighborhood Effects on Family Formation: Concentrated Poverty and Beyond." *American Sociological Review* 64 (1999): 113–132.

[13] Janet Pack, "Poverty and Urban Public Expenditures." *Urban Studies* 35(11)(1998): 1995–2019; Pascale Joassart-Marcelli, Jennifer Wolch, and Juliet Musso, "The Fiscal Consequences of Concentrated Poverty in a Metropolitan Region." *The Annals of the Association of American Geographers* 95(2)(2005): 336–356.

[14] U.S. Census Bureau, Historical Poverty Tables, Table 8: Poverty of People, by Residence.

[15] Alan Berube and Elizabeth Kneebone, "Two Steps Back: City and Suburban Poverty Trends, 1999–2005" (Washington: Brookings Institution, 2006).

None of these findings discounts the continuing incidence of poverty in smaller cities, towns, and rural areas. But nationwide today, a plurality of poor Americans live in suburbs. And it certainly challenges conventional notions of poverty as solely an urban issue to find that cities like Detroit, Los Angeles, Miami, and Washington, D.C. all have fewer residents living below the poverty line than their suburbs do.

This "tipping" did not occur overnight, of course, and is rooted in several broader changes in American society and metropolitan economies. Among the chief factors are:

- *Population continues to suburbanize.* Over the past 15 years, suburbs of America's major metropolitan areas have grown roughly twice as fast as their central cities.[16] The sheer scale and pace of suburban growth has absorbed a broader economic cross-section of the nation's population.
- *Employment is suburbanizing.* Not surprisingly, jobs—especially low-paying jobs—have followed people to the suburbs. In 2002, more than half of all employment in metropolitan areas was located at least 10 miles from the downtown. Lower-wage industries like retail, hospitality, and personal services account for the bulk of job growth in many fast-growing suburbs.
- *Immigrants are suburbanizing.* In longstanding immigrant gateways like Boston, Chicago, and New York, newcomers to the United States most often started in central-city neighborhoods with their compatriots, eventually graduating to suburbia as they achieved middle-class status. Today, immigrant populations are growing most rapidly in Sunbelt metro areas without a real history of immigration, like Atlanta, Charlotte, and Dallas. In these regions, lower-skilled newcomers are skipping the city altogether for jobs and residences in booming suburban areas.[17]
- *Municipal distress is suburbanizing.* Finally, in a number of older metropolitan areas, particularly those in the Northeast and Midwest, slow job growth, aging housing and infrastructure, and inner-city problems have produced growing low-income populations in their "first suburbs." Along many dimensions, these places today look more urban than suburban.[18]

As a newer phenomenon, suburban poverty and its effects have received much less attention from the research community. In some respects, the suburban poor might be considered to have "made it," escaping or avoiding altogether the problems associated with inner-city or remote-rural poverty.

Nonetheless, initial evidence suggests a few unique challenges associated with having a low income in the suburbs.

First, a low-income family's move from the city to the suburbs does not always involve moving up on indicators of neighborhood quality. Many major metropolitan areas today see high-income households and higher-wage employment concentrate on one side of the region, while lower-income housing, limited job opportunities, and fiscal distress gather on the other side. These axes—from north to south in regions like Atlanta and Chicago, and from east to west in regions like St. Louis and Washington, DC—do not respect city/suburban boundaries. In this way, suburban low-income families stuck on the wrong side of the region can face similar challenges as their inner-city counterparts finding quality housing, decent schools for their children, and competitively-priced local goods and services. In particular, limited access to public transportation in the suburbs, or even reliable private transportation, may constrain their employment and child-care opportunities.[19]

Second, suburban locations may impede families' access to the services and supports that help them weather temporary income losses. Research by Scott Allard at Brown University shows that social services providers remain concentrated in central-city neighborhoods, lagging the movement of important parts of their potential client base into the suburbs.[20] Recent media coverage of suburban poverty increases

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[16] Suburbs of major metropolitan areas grew by roughly 24 percent from 1990 to 2004, compared to 12 percent for their central cities. See William H. Frey, "Metro America in the New Century: Metropolitan and Central City Demographic Shifts Since 2000" (Washington: Brookings Institution, 2005).

[17] See Singer, "The Rise of New Immigrant Gateways."

[18] Rob Puentes and David Warren, "One-Fifth of the Nation: America's First Suburbs in Transition" (Washington: Brookings Institution, 2006).

[19] About 20 percent of the poor, and 12 percent of the near-poor (with incomes between 100 and 200 percent of the poverty line) live in households without access to an automobile. Alan Berube and Steven Raphael, "Access to Cars in New Orleans" (Washington: Brookings Institution, 2005).

[20] Scott Allard, "Access to Social Services: The Changing Urban Geography of Poverty and Social Services Provision" (Washington: Brookings Institution, 2004).

has highlighted the stress placed on smaller, often faith-based providers in these communities from trying to serve burgeoning numbers of low-income families.[21] These access issues loom especially large for suburban areas in the Midwest and South where recent job losses have created pressing needs among formerly middle-income workers and families.

Third, whereas employment opportunities may be more plentiful for the working poor in fast-growing suburbs, appropriate housing is often scarce. Though these communities employ large numbers of low-wage workers, single-family owner-occupied housing, mostly for middle- and upper-income families, predominates. Exclusionary zoning laws in many suburban communities have limited the development of affordable rental housing there.[22] As a result, families are doubling and tripling up in order to afford single-family housing, and confronting community opposition in the process.[23] Research suggests a link between such overcrowded housing conditions and negative health outcomes for children and adults, and possibly children's educational performance as well.[24]

Geography and efforts to promote economic mobility

A key focus of this hearing, and indeed social policy in general, concerns the prospects for economic mobility among poor and low-income families in the United States. On this question, Americans continue to express their faith in ours as a society of opportunity, with 80 percent of those polled in a recent survey agreeing that: ". . . it's still possible to start out poor in this country, work hard, and become rich."[25]

Yet recent research has called into question how well the United States lives up to this reputation. For instance, a recent study by researchers at the London School of Economics finds a far stronger relationship between fathers' and sons' earnings in the United States than in several northern European countries, Canada, and even stereotypically class-bound Britain.[26] U.S. researchers' findings generally suggest that over the past 25 years, a child born into a low-income family had about a 20- to 25-percent chance of earning above median income as an adult, and a less-than-5-percent chance of moving into the highest fifth of the income distribution.[27]

Within generations as well, evidence points to low and possibly declining rates of upward mobility. One study finds that of families who started in the bottom fifth of the income distribution in 1988, more than half remained there in 1998, and fewer than one-quarter managed to achieve at least middle-income status by the end of the decade.[28]

As one recent paper has argued, however, evidence of low economic mobility does not, in itself, establish a case for nor guide interventions to help low-income families proceed up the economic ladder.[29] Indeed, evidence on *why* economic status is relatively fixed across and within generations is critical for designing effective policies to ensure more equitable opportunities, especially for the poor.

What role, then, might the *geography* of poverty and economic disadvantage play in shaping prospects for economic and social mobility? Few research studies examine this exact question.[30] In general, most studies reinforce the conclusion of one

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[21] See, e.g., Diane Suchetka, "Poverty Jumps in Suburbs of Cleveland." *The Plain Dealer*, December 7, 2006; Peg Tyre and Matthew Phillips, "Poor Among Plenty." *Newsweek*, February 12, 2007.

[22] Pendall, Puentes, and Martin, "From Traditional to Reformed."

[23] See, e.g., Audrey Singer, "Reforming Immigration Policy" (Washington: Brookings Institution, forthcoming 2007).

[24] UK Office of the Deputy Prime Minister, "The Impact of Overcrowding on Health and Education: A Review of the Evidence and Literature." *Housing Research Summary* 210 (2004).

[25] See the "Class Matters" series at **www.nytimes.com/classmatters**. The *Times* also reports that of the 400 Americans identified as the country's richest in 2005 by Forbes magazine, the majority—255—were not the inheritors of significant wealth. Nina Munk, "Don't Blink. You'll Miss the 258th–Richest American." *The New York Times*, September 25, 2005.

[26] Still, the researchers find a higher intergenerational partial earnings correlation in the U.S. (0.289) than in Britain (0.271).

[27] Chul-In Lee and Gary Solon, "Trends in Intergenerational Income Mobility." NBER Working Paper 12007 (January 2006); Tom Hertz, "Trends in the Intergenerational Elasticity of Family Income in the United States." *Industrial Relations* 46(1)(2007): 22–50.

[28] Katherine Bradbury and Jane Katz, "Women's Labor Market Involvement and Family Income Mobility When Marriages End." *New England Economic Review* Q4 (2002): 41–74.

[29] Christopher Jencks and Laura Tach, "Would Equal Opportunity Mean More Mobility?" In S. Morgan, D. Grusky, and G. Fields, eds., *Mobility and Inequality: Frontiers of Research in Sociology and Economics*. Stanford University Press, 2006.

[30] One study finds a statistically significant but not strong correlation in eventual educational attainment between children who grew up in the same neighborhood. Gary Solon, Marianne E. Page, and Greg J. Duncan, "Correlations Between Neighboring Children in Their Subsequent Educational Attainment." *Review of Economics and Statistics* 82(3)(2000): 383–392.

seminal review of the "neighborhood effects" literature: "Although the effects of neighborhood environment are found to be significant in many studies, they are consistently much smaller than the effects of family characteristics."[31]

The Moving to Opportunity (MTO) program offers some recent research insights on the possible impacts of concentrated poverty. MTO was a five-city, federally-funded experiment to assist families living in high-poverty public housing to move to private rental housing in low-poverty neighborhoods, and to examine the effects on those families. Parents offered the opportunity to move to low-income neighborhoods experienced significant improvements in mental health, and teenage girls experienced health, educational, and behavioral benefits, compared to their counterparts who were not offered the opportunity to move (and who, for the most part, remained in public housing). Conversely, the experiment did not produce significant employment and earnings gains for adults, or consistent educational performance gains for all children, versus what the comparison group experienced.[32] The MTO findings highlight important negative influences that high-poverty environments may exert on their inhabitants, while bounding the economic gains that we might expect over the short- and medium-term from interventions to improve neighborhood conditions for the very poorest inner-city families.

The evidence thus implies that to improve economic and social mobility, public policy should first and foremost aim to provide incentives and supports that foster healthy family environments and more equitable opportunities for children regardless of where they live. In this respect, greater federal support for early education targeted to low-income children, policies designed to improve the labor market potential of disconnected young adults, and reforms to expand the reach and effectiveness of temporary supports like unemployment insurance, are well-founded and would have disproportionate benefits for low-income communities as well.

At the same time, I believe that existing and expanded efforts can support economic mobility by confronting particular issues of *place* that could blunt the impact of more universal investments in low-income families. While many of these do not fall within the strict jurisdiction of the Subcommittee, they merit mention here as possible components of a broader anti-poverty strategy, and could include initiatives designed to:

- *Expand neighborhood choice.* The availability and cost of appropriate housing dictate the neighborhood opportunities available to lower-income families, and thus circumscribe in important ways their educational, employment, and health outcomes.[33] According to the National Low Income Housing Coalition, a full-time worker needs to earn over $16 per hour in order to afford the average rent for a modest, two-bedroom house or apartment.[34] Already, the federal Earned Income Tax Credit (EITC), by providing a substantial boost to the wages of low-income working families, reduces housing-cost burdens by an estimated 18 percent.[35] Further targeted increases to the EITC, perhaps delivered throughout the year to help families meet monthly housing costs, could greatly expand quality neighborhood and housing options for families while maintaining the credit's focus on work. To ensure that the growing suburban poor have access to appropriate housing in quality neighborhoods, the Low Income Housing Tax Credit (LIHTC)—the nation's largest affordable housing production program—could be recalibrated to deliver more affordable units in opportunity-rich areas.[36]
- *Serve families region-wide.* Existing programs to provide temporary support and training to low-income families, such as those funded under the TANF block grant and the Workforce Investment Act, must now serve a more geographically dispersed population than ever before. The growth of suburban poverty renders critical strategies that engage low-income families throughout metropolitan areas, and that link workers to employment opportunities on a region-wide

[31] Ellen and Turner, "Does Neighborhood Matter?" p. 854.

[32] See generally, Jeffrey R. Kling, Jeffrey B. Liebman, and Lawrence F. Katz, "Experimental Analysis of Neighborhood Effects." *Econometrica* 75(1)(2007): 83–119.

[33] For an overview of this argument, see Xavier de Souza Briggs, "Politics and Policy: Changing the Geography of Opportunity." In *The Geography of Opportunity: Race and Housing Choice in Metropolitan America* (Washington: Brookings Institution, 2005).

[34] National Low Income Housing Coalition, *Out of Reach 2006*. The "housing wage" in major metropolitan areas like San Francisco, Boston, and Washington was estimated to be far higher than the national average.

[35] Michael Stegman, Walter Davis, and Roberto Quercia, "Tax Policy as Housing Policy: The EITC's Potential to Make Housing More Affordable for Working Families" (Washington: Brookings Institution, 2003).

[36] See, e.g., Bruce Katz and Margery Austin Turner, "Rethinking U.S. Rental Housing Policy" (Washington: Brookings Institution, forthcoming 2007).

basis. In some states, regional workforce intermediaries have mounted a successful track record by identifying employer needs, often within selected industry growth sectors, and connecting less-skilled workers to the training needed to secure these jobs. Organizations like Project QUEST in San Antonio, WireNet in Cleveland, and the Wisconsin Regional Training Partnership work across jurisdictional lines to meet employer and worker needs, in recognition of the metropolitan nature of today's economy.[37] Congress might consider an expanded role for information and incentives within these existing programs to seed the creation of more high-performing regional workforce intermediaries.

- *Promote participation in existing work supports.* Finally, expanded efforts to connect low-wage workers and their families to existing in-work benefits for which they are eligible may address place-specific barriers as well. The Earned Income and Child Tax Credits, Food Stamps and other nutritional supports, and subsidized health insurance all crucially help to narrow the gap between wages and costs of living for low-income families. Yet informational deficits and geographical barriers—the trip to a downtown welfare office, for instance—may depress participation in these programs, especially among the suburban working poor.[38] A series of Congressional actions could help ensure that more eligible families access these programs. First, appropriate federal agencies could be required to more closely and frequently track participation rates in these programs, including variability across states and metropolitan areas. Second, federal incentives to achieve higher participation among eligible families could be strengthened, at a minimum, to achieve parity with incentives designed to reduce program error. Third, Congress could consider direct support for a growing nationwide network of nonprofit organizations that conduct outreach and assist families in applying for tax credits and a growing array of other work supports.[39]

In closing, I would like to thank the Subcommittee for the opportunity to testify today and applaud its work to probe the role of federal policy in promoting greater economic and social mobility for low-income families. Keeping in mind the evolving relationship between poverty and place, particularly as it affects Americans who live in areas of extreme local poverty, as well as the growing number of suburban poor, provides critical context and guidance for policy strategies to ensure greater equality of opportunity. I look forward to assisting the Subcommittee in this regard, and to answering your questions.

Chairman MCDERMOTT. We are going to have to stop and go and vote. I am sorry. We will recess for, hopefully, about 30 minutes. So, I hope that the witnesses can stay. We would love to talk to you again when we come back. We will be back probably around 12:15 or 12:20, something like that.

So, we will recess for the moment. Thank you.

[Recess.]

Chairman MCDERMOTT. The hearing will come to order.

We have to be out of here in 28 minutes. So, Ms. Blackwell, you are on.

STATEMENT OF ANGELA GLOVER BLACKWELL, ESQUIRE, FOUNDER AND CEO, POLICYLINK

Ms. BLACKWELL. Thank you very much, Mr. Chairman and Committee Members. I am Angela Glover Blackwell, the CEO of PolicyLink, a national research and action institute that works

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[37] See, e.g., Harry J. Holzer, "Encouraging Job Advancement Among Low-Wage Workers: A New Approach" (Washington: Brookings Institution, 2004).

[38] One study finds evidence suggestive of lower participation rates in the EITC among immigrants in less-dense suburban communities than among their counterparts in central-city immigrant enclaves. Alan Berube, "Tienes EITC? A Study of the Earned Income Tax Credit in Immigrant Communities" (Washington: Brookings Institution, 2005).

[39] The National Community Tax Coalition acts as an umbrella organization for hundreds of organizations that conduct outreach and provide free tax assistance to low-income families each year. See **www.tax-coalition.org**

very closely with local partners, finding solutions to poverty and inequity and inequality in America.

For the past 18 months, we have been working in New Orleans, and we have been working there because our organization is known for thinking both about how to develop places so that they are attractive and work well and how to think about the people at the same time, the integration of the people and the place strategies.

The work in New Orleans has really affirmed for us that so much of what we worry about in terms of poverty and opportunity was unveiled there both in terms of the suffering regarding poverty and the kind of solutions that we ought to be thinking about. As we witnessed as a nation what happened when Katrina hit New Orleans, we were struck by the fact that people were so sick, so isolated, so vulnerable, and so poor. I think the American people were shocked and ashamed of what they saw, and if you take it apart, you can see something very similar to that in cities all across America, because the relationship between the isolation and the absence of transportation that caused people to be so vulnerable when that hurricane hit is the same thing that causes people to be so vulnerable to poverty in other communities where they are isolated from jobs and the other supports that they need.

What we saw in New Orleans was that where you live impacts opportunity enormously, including how healthy you are and how long you will live, and as we think about the importance of place in the context of poverty, what has been interesting, as was presented in the testimony right before, is that not only does place matter, but it is surprising the places where it is beginning to matter even more—older suburbs, suburban communities, where poverty is growing.

As you think about that assertion that where you live impacts opportunity, what it is referring to is that it is absolutely your address that determines whether or not you get to go to a good school. Some communities have excellent schools available. Others have terrible schools. Your address determines whether or not you live in close proximity to jobs, as do many people who live in suburban areas with job centers. Your address affects your access to opportunity if you live in an urban area, an older suburb, a declining city with no real jobs around. Where you live determines whether or not you are going to have access to a job that may be distant in terms of whether or not there is any public transportation to be able to get you to jobs.

One of the things that was interesting when you think about New Orleans is so many people asked, "Well, why didn't people just get out?" Well, not only was there not a good public transportation system, but of those people who were living in extreme poverty areas, 54 percent of them did not have cars. 63 percent of the elderly who were poor did not have cars. So, this notion of not having a car and not having a reliable public transit system absolutely makes a difference in terms of access to opportunity.

In thinking about strategies, I was interested in hearing the conversation with the first panel. Certainly, the earned income tax credit supports the families that are poor. Access to health insurance and high-quality care, access to child care are all important, and they are the basics, a living wage that allows families to be

able to move out of poverty, but we also need to think about broader strategies.

As to the whole notion of transportation, we have noticed that we need to have transportation systems that do not just go from city to suburb, because now, sometimes people need to go from suburb to suburb, and there is a wonderful program called Job Access and Reverse Commute (JARC) that does just that. This program has worked in many different States and many different communities. In fiscal year 2003, JARC funded 101 programs in 35 States, and it is a perfect example of taking the reality of how where you live impacts opportunity and putting a program in place that allows people to be able to access jobs. If where you live impacts opportunity, we certainly want to connect people from poor communities to opportunity, but it is also important for low-income to people live in opportunity-rich communities. We really have not done enough with the low-income housing tax credit program to encourage States to put that affordable housing near good schools, near good transit and the other amenities that are so important for moving forward. Also, as we think about how to be able to make sure that the housing choice voucher program really works to connect people to opportunity, a program in Illinois—the housing opportunity tax incentive—encourages landlords in opportunity-rich communities—those with less than a 10 percent poverty rate—to rent to lower income people so they can live in communities with good schools and jobs, et cetera.

One last thing I want to mention is that, too often, we only deal with the poverty issue through poverty programs. Our infrastructure investments, which we are talking about more and more—certainly, New Orleans has brought that into sharp relief. When we are spending dollars on infrastructure—levies, bridges, transportation—we can do two things. We can make communities where poor people live more economically competitive by investing in the infrastructure, but we can also make sure that job training programs and other supports connect low-income people to the jobs that are generated through infrastructure investments. We have to think expansively about poverty, not just poverty programs but all programs where we are spending government dollars that allow everybody to benefit.

Thank you.

Chairman MCDERMOTT. Thank you very much.

[The prepared statement of Ms. Blackwell follows:]

Statement of Angela Glover Blackwell, Esq., Founder and CEO, PolicyLink

Good Morning. I'm Angela Glover Blackwell, founder and CEO of PolicyLink. PolicyLink is a national nonprofit research and action institute that helps local and national organizations use policy to achieve economic and social equity. We are particularly concerned about the needs of people of color and people in low-income communities. I also co-chair a task force on poverty that is part of the Center for American Progress's National Initiative to End Poverty. I thank you all for this opportunity to speak about ending poverty by creating economic opportunity.

Just about 18 months ago, one of the worst disasters in our nation's history unfolded quite literally in black and white: it was clear not only to the victims, but to all of us watching television footage that those hardest hit by Hurricane Katrina were black and poor. The American people were shocked by the picture of raw poverty and isolation that emerged in the storm's aftermath.

Yet poverty in New Orleans and other Gulf Coast communities existed long before Katrina. In 2005, nearly one in four New Orleans residents lived in poverty. Though

this figure is troublesome enough, it belies the racial disparities of the city's poverty (10 percent of whites were living in poverty compared with 30 percent of African Americans) and the reality that much of this poverty was concentrated.[1] According to a Brookings Institution analysis of 2000 Census figures, over 37 percent of poor New Orleans residents (and over 42 percent of poor African American residents) lived in "extreme poverty" neighborhoods—communities where more than 40 percent of residents were living below the poverty line,[2] effectively isolated from good schools, decent jobs, and the economic and social networks that facilitate upward mobility. Imagine trying to support a family of four on $17,050, the federal poverty line in 2000. Now consider that for poor families in New Orleans' extreme poverty neighborhoods, the average household income was $9,640 *below* that threshold.[3]

We are facing a crisis of income inequality, and though post-hurricane images cast New Orleans as some supreme, unparalleled failure of the American dream, concentrated poverty is in fact pervasive nationwide. New Orleans had the second-highest concentrated poverty rate among large U.S. cities, but number one was Fresno, California, and many of our other cities—Atlanta, Cleveland, Philadelphia—were not far behind.[4]

My message is straightforward and elegant in its simplicity: The means exist to put an end to such stark levels of poverty in America. What we need is the will to do so. While poverty in America is indeed entrenched, there are many models available for providing economic opportunity to low-income people. Our existing safety net, which includes welfare, Social Security, unemployment, and similar programs, is an essential baseline that we must preserve and expand to ensure that everyone has the opportunity to participate and prosper, to support themselves, their families, and their communities. At the same time, we must build on these income supports with policies that fight poverty by investing in housing, transportation, and infrastructure.

Our nation's legacy of poverty is long and complex, but one thing is clear: place matters. Where we live affects our access to transportation, jobs, good schools, affordable housing, resources like banks and parks, and enriching amenities like cultural institutions. Increasingly, place matters not just in our inner cities, but in the very suburbs that half a century ago began as idyllic enclaves of American middle-class life. The poverty rate in cities remains twice that in suburbs—and it is rising in nearly half of large cities and one third of suburbs—but the number of poor people in suburbs is now greater than in cities. This increase in poverty is especially challenging for suburbs that (perhaps unlike inner cities accustomed to struggling with poverty) lack social service infrastructure, public transportation to connect residents to jobs, and strong community organizing networks. At the same time, these suburbs have an opportunity to study the successes and challenges of urban poverty programs, and use the lessons of hindsight to craft more strategic policies.

The rise of suburban poverty also means that poverty is not simply an urban concern: poverty is regional and requires regional solutions. Many of the traditional models no longer apply. Jobs, for example, have increasingly moved from central city business districts to suburbs, even to distant "exurbs." Commuting patterns that were once predominantly suburb to city now include "reverse commutes" from city to suburb and, for a growing suburban population of new immigrants and low-income residents, suburb to suburb.

One promising strategy for connecting low-income residents to regional job opportunities is Job Access and Reverse Commute (JARC), which provides grant money to states for programs that help welfare recipients and low-income workers access jobs and employment services. JARC has been widely and successfully tested in diverse communities across the United States. In fiscal year 2003, JARC funded 101 programs in 35 states, serving approximately 73,000 employment sites.[5] So many residents are traveling from city to suburb, suburb to city or suburb to suburb for work and educational opportunities that we need to expand our approach to transit from building single "lines" to creating a comprehensive transit "web" to serve the region. The federal government must commit to scaling up programs like JARC to reach the millions of poor residents who are cut off from job opportunities due to

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[1] Based on figures from the 2005 American Community Survey, online at http://www.census.gov.

[2] Alan Berube and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty Across America,* (Washington, DC: Brookings Institution, 2005).

[3] Ibid.

[4] Ibid.

[5] Federal Transit Administration, *FTA Fiscal Year 2003 Apportionments, Allocations and Program Information: Notice of Supplemental Information, Changes and Corrections*, retrieved from http://www.fta.dot.gov/grant_programs/4696_ENG_HTML.htm.

lack of transportation and the spatial mismatch between jobs and affordable housing.

Along with helping poor residents commute to jobs in neighborhoods throughout their region, we must strengthen programs and policies that help those living in concentrated poverty move into mixed-income communities already rich in jobs and other amenities. America's affordable housing crisis offers another opportunity for the federal government to partner with states to reduce poverty and promote economic mobility. There is tremendous potential—often untapped—for the Low Income Housing Tax Credit program to build affordable housing in opportunity-rich communities. The federal government should take an active role in encouraging states to use LIHTC funds to site affordable housing in communities that provide economic opportunity for low-income families, rather than clustering LIHTC projects in high-poverty areas.

Additional tax credits could be offered to states willing to create models such as the Housing Opportunity Tax Incentive program in Illinois, which encourages landlords in non-poverty communities to accept Housing Choice Voucher program (formerly Section 8) tenants. Landlords in designated "housing opportunity areas"—that is, communities with high job growth, a strong economic base, and a poverty rate of less than 10 percent—can receive a tax credit for renting to an HCV tenant. To avoid creating new concentrations of poverty, a maximum of two units or 20 percent of all units in any single property can qualify for the credit.[6] A National Housing Trust Fund could do even more to increase the federal government's commitment to opportunity through housing.

Transit oriented development is another way for low-income people to live in communities of opportunity. TODs are typically high-density, mixed-use, pedestrian-friendly developments located within a quarter mile of a transit station. By locating a mix of shops, housing, and office space around transit hubs, TOD reduces dependence on cars and promotes vibrant, walkable communities. When TOD is combined with affordable housing, low-income residents are connected to jobs, transit, and decent affordable housing. The federal government can support the creation of pools of tax credits as an incentive to TOD creation.

Planners, policymakers, and public health officials are realizing that health, too, is impacted by where one lives—and has a symbiotic relationship with poverty. Ill health affects one's ability to earn a living, yet low-income neighborhoods with poor housing and environmental conditions and few resources further exacerbate health problems. Communities of opportunities, on the other hand, promote good health through clean air, neighborhood supermarkets that offer healthy food choices, and safe streets and parks where residents can walk, exercise, and play. We know there is an explosion in obesity rates in the country and we know that obesity is a factor in many life-threatening diseases. But consider how few poor neighborhoods have access to supermarkets, farmers markets with fresh produce, or any options for purchasing groceries other than corner stores that primarily stock canned goods high in salt and sugar.

One study found that middle and upper-middle income communities in Los Angeles County have 2.3 times as many supermarkets as low-income communities. The same study also reported that predominantly white communities have 3.2 times the supermarkets of predominantly black communities and 1.7 times those of predominantly Latino communities. Policies that attract supermarkets to underserved areas promote physical health by expanding fresh food choices and economic health by offering job opportunities.[7]

Ending poverty also requires that we invest infrastructure dollars in a way that benefit creates housing, transportation, and job opportunities for low-income residents. Few people give much thought to infrastructure until a sinkhole opens up, track work interrupts daily commutes, or water mains break. Yet, infrastructure is the skeletal support of communities and regions—and all across America infrastructure is aging and in need of maintenance, upgrades, and new construction. Too often, poor people bear the brunt of solutions to infrastructure problems. Where are new schools built? Is more money spent on highways and less on public transit? Where are dollars allocated for upkeep of parks? Who benefits from infrastructure projects? Who pays? Who decides?

Infrastructure investments that are made where low-income people live can help those communities become economically competitive. The process itself of building or maintaining infrastructure creates jobs. Transportation and telecommunications

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[6] See Radhika Fox and Sarah Treuhaft, *Shared Prosperity, Stronger Regions: An Agenda for Revitalizing America's Older Core Cities* (Oakland, CA: PolicyLink, 2005).

[7] In Rebecca Flournoy, *Healthy Food, Healthy Communities: Improving Access and Opportunities Through Food Retailing* (Oakland, CA: PolicyLink, 2005).

are infrastructure investments that can connect low-income communities and communities of color to jobs and resources throughout the region. But we must be intentional about maximizing the job creation potential of infrastructure investments through local hiring and job training programs with the potential to bring poor people into the workforce.

The rebuilding of West Oakland, California, after 1989's Loma Prieta earthquake is an example of how the right kind of infrastructure investment and decision making can reshape the economic and social outcomes of a community. As a result of dedicated community organizing, a freeway in West Oakland was not rebuilt along the corridor that had so badly divided that neighborhood and choked it with vehicle emissions. Instead it was rerouted through industrial land in the adjacent Port of Oakland. Furthermore, groundbreaking agreements were established to promote local hiring and contracting on the construction of the new road.

Poverty is multidimensional. The causes and the effects of poverty are myriad, but the solutions are multidemensional and when done right, multi-beneficial. For example, investing in the construction of a new hospital in a low-income community—when the project is tied to job training and local hiring priorities—delivers immediate construction jobs, eventual health services jobs, and long-term community-based healthcare. Creating tax credits or other incentives for affordable housing in mixed-income communities may bring poor families closer to job opportunities, and also offer their children the chance to attend high-quality, resource-rich public schools. A recent study from the Center on American Progress notes that although the typical argument is a moral one—reducing poverty is fair and just—there is, in fact an economic imperative to address childhood poverty.[8] Childhood poverty results in adverse economic effects for the entire nation. The costs in lost productivity and economic output, and in increases in crime and health expenditures are ones we shouldn't have to pay, and won't if we seize this moment to finally invest the resources necessary to create true communities of opportunity—and offer everyone the possibility to participate and prosper in America.

Chairman MCDERMOTT. Mr. Rector.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, THE HERITAGE FOUNDATION

Mr. RECTOR. Yes. I thank you so much for the opportunity to be here and speak today.

I am going to present a somewhat different perspective on poverty. The first data I am going to go through comes from Government surveys from Department of Housing and Urban Development and from the Energy Department, from the Agriculture Department.

If we were to take all of the 37 million poor people in the United States and kind of go to the median household, according to these surveys, ordinary people, when they hear the word "poverty," are thinking about malnutrition or a lack of housing, perhaps lacking clothes for your kids to wear—that is when you are surveying them—but in fact, the typical American defined as "poor" by the Government has a car, has air conditioning, has a refrigerator, has a stove, has a clothes washer/dryer, has a microwave, has two color televisions, has cable or satellite TV, a VCR, a DVD, and a stereo.

Overall, his home is in good repair, according to HUD, and is not overcrowded. If you ask him, he will say that, during the previous year, he was able to obtain medical care for his family whenever he needed it, and by his own report, his family is not hungry and has not been hungry in the last 6 months and that he has had sufficient funds to meet all of his essential family needs. Now, there

[8] Harry J. Holzer, *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor* (Washington, DC: Center for American Progress, 2007).

is a group at the bottom of the poverty population that would answer negative to some of those questions, but this is sort of the typical poor person in the United States.

I will go through some numbers here very quickly. Very interestingly, 82 percent of poor Americans have air conditioning. I grew up in the South. We could not afford air conditioning when I was a boy. We treated it as a luxury. Over here, I think the most interesting one is close to two-thirds of all poor Americans in the United States have either cable or satellite TV. I am not saying that these people do not have to struggle to make ends meet, but they are also very far away from extreme deprivation as sometimes represented as their condition.

Very interestingly, if you look at the housing of American poor people, we find that they have more housing space per square foot per person than does the average European, not poor Europeans, but the average person in Western Europe. They have more housing space than does that individual. Only about 5 percent of poor people are overcrowded with less than one room per person. That is the normal definition for "crowding."

Now, this is a very interesting chart. This is protein, and you can take any other nutriment you wanted to, but the little horizontal line is the recommended daily allowance. We have got poor kids and non poor kids and protein consumption. In almost every case, the protein consumption is twice the recommended daily allowance, and there is virtually no difference between the very affluent and the poor with respect to protein consumption. This is a measure of stuntedness. This is low-income. Whether you are low for height, there is none in our country.

Just move forward. Typically, in a typical month, 1 child in 400 in the United States skips one or more meals because the family lacks funds to buy food. That is regrettable, but it is only 1 child in 400.

Now, if I can move forward a little bit more, this is the total expenditure on health, education and cash welfare in the United States and other countries according to the research of Tim Smeeding, who was to be here this morning, and he finds that total welfare benefits per household with children in the United States are actually higher than in any other nation in the world. Very interestingly, he, himself, said he was staggered by that piece of information.

If I could just jump forward a bit more, it is important to recognize that 26 percent of all poor children in the United States are the children of immigrants, and close to 12 percent of all poor children are children of illegal immigrant parents. Over the last 20 years or so, we have imported 11 million high school dropouts from abroad, and they have made a staggering contribution to the poverty levels in this country. About 40 percent of those individuals live in the United States and are poor as they live here. We will be unable to reduce poverty in the United States if we continue to have those record levels of very low-skill immigration, which we have had in the recent past.

If we were to look at domestic-born individuals what we find are the major causes of poverty are a lack of work and a lack of marriage. If, in each poor family with children, a single parent family,

if the mother were married to the father of that child, according to the data from Fragile Families, 75 percent of those children would be immediately raised out of poverty by marriage. Also, the other major factor is that, although poor families do work, they work only about 800 hours a year, all right? They are working, but they are not working full time/full year.

Our calculations using Census Bureau data say, if you took those poor families with children and raised the work level up to one adult working full time/full year, about 75 percent of those children would be raised out of poverty immediately.

I think that both work and marriage are things where there is a potential consensus where we can all agree that those would have very strong anti poverty effects without undo expansion to the welfare system and without costly expansions of welfare, and those are the areas that I would suggest this Committee focus on as probably the most productive ways for reducing poverty in the future.

Thank you so much.

Chairman MCDERMOTT. Thank you.

[The prepared statement of Mr. Rector follows:]

Statement of Robert Rector, Senior Policy Analyst, The Heritage Foundation

My name is Robert Rector. I am a Senior Research Fellow at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Poverty is an important and emotional issue. Last year, the Census Bureau released its annual report on poverty in the United States declaring that there were 37 million poor persons living in this country in 2005, roughly the same level as the preceding year. To understand poverty in America, it is important to look behind these numbers—to look at the actual living conditions of the individuals the government deems to be poor.

For most Americans, the word "poverty" suggests destitution: an inability to provide a family with nutritious food, clothing, and reasonable shelter. But only a small number of the 35 million persons classified as "poor" by the Census Bureau fit that description. While real material hardship certainly does occur, it is limited in scope and severity. Most of America's "poor" live in material conditions that would be judged as comfortable or well-off just a few generations ago. Today, the expenditures per person of the lowest-income one-fifth (or quintile) of households equal those of the median American household in the early 1970s, after adjusting for inflation.[1]

The following are facts about persons defined as "poor" by the Census Bureau, taken from various government reports:

- Forty-three percent of all poor households actually own their own homes. The average home owned by persons classified as poor by the Census Bureau is a three-bedroom house with one-and-a-half baths, a garage, and a porch or patio.
- Eighty-two percent of poor households have air conditioning. By contrast, 35 years ago, only 36 percent of the entire U.S. population enjoyed air conditioning.
- Only 6 percent of poor households are overcrowded. More than two-thirds have more than two rooms per person.
- The average poor American has more living space than the average individual living in Paris, London, Vienna, Athens, and other cities throughout Europe. (These comparisons are to the *average* citizens in foreign countries, not to those classified as poor.)
- Nearly three-quarters of poor households own a car; 30 percent own two or more cars.

[1] Comparison of the average expenditure per person of the lowest quintile in 2001 with the middle quintile in 1973. Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey: Integrated Diary and Interview Survey Data, 1972–73*, Bulletin No. 1992, released in 1979, and U.S. Department of Labor, Bureau of Labor Statistics, C*onsumer Expenditures in 2001*, Report No. 966, April 2003. Figures adjusted for inflation by the personal consumption expenditure index.

- Ninety-seven percent of poor households have a color television; over half own two or more color televisions.
- Seventy-eight percent have a VCR or DVD player; 62 percent have cable or satellite TV reception.
- Seventy-three percent own microwave ovens, more than half have a stereo, and a more than a third have an automatic dishwasher.

Overall, the typical American defined as poor by the government has a car, air conditioning, a refrigerator, a stove, a clothes washer and dryer, and a microwave. He has two color televisions, cable or satellite TV reception, a VCR or DVD player, and a stereo. He is able to obtain medical care. His home is in good repair and is not overcrowded. By his own report, his family is not hungry and he had sufficient funds in the past year to meet his family's essential needs. While this individual's life is not opulent, it is equally far from the popular images of dire poverty conveyed by the press, liberal activists, and politicians.

As a group, America's poor are far from being chronically undernourished. The average consumption of protein, vitamins, and minerals is virtually the same for poor and middle-class children and, in most cases, is well above recommended norms. Poor children actually consume more meat than do higher-income children and have average protein intakes 100 percent above recommended levels. Most poor children today are, in fact, supernourished and grow up to be, on average, one inch taller and 10 pounds heavier that the GIs who stormed the beaches of Normandy in World War II.

While the poor are generally well-nourished, some poor families do experience hunger, meaning a temporary discomfort due to food shortages. According to the U.S. Department of Agriculture (USDA), 13 percent of poor families and 2.6 percent of poor children experience hunger at some point during the year. In most cases, their hunger is short-term. Eighty-nine percent of the poor report their families have "enough" food to eat, while only 2 percent say they "often" do not have enough to eat.

Of course, the living conditions of the average poor American should not be taken as representing all the poor. There is actually a wide range in living conditions among the poor. For example, over a quarter of poor households have cell phones and telephone answering machines, but, at the other extreme, approximately one-tenth have no phone at all. While the majority of poor households do not experience significant material problems, roughly a third do experience at least one problem such as overcrowding, temporary hunger, or difficulty getting medical care.

While it is often argued that the U.S. devotes far fewer resources to social welfare spending than other rich nations, the facts show otherwise. Per household, social welfare benefits for families with children (including cash and near cash benefits, education, and health care) are higher in the United States than in any other nation. Further, economic inequality, as measured by the ratio of economic resources available to the least affluent decile compared to the median household, is not appreciably greater in the U.S. than most other rich nations once health care and education spending are included.[2]

The good news is that remaining poverty can readily be reduced further, particularly among children. There are two main reasons that American children are poor: Their parents don't work much, and fathers are absent from the home.

In good economic times or bad, the typical poor family with children is supported by only 800 hours of work during a year: That amounts to 16 hours of work per week. If work in each family were raised to 2,000 hours per year—the equivalent of one adult working 40 hours per week throughout the year—nearly 75 percent of poor children would be lifted out of official poverty.

Father absence is another major cause of child poverty. Nearly two-thirds of poor children reside in single-parent homes; each year, an additional 1.3 million children are born out of wedlock. If poor mothers married the fathers of their children, almost three-quarters would immediately be lifted out of poverty.

While work and marriage are steady ladders out of poverty, the welfare system perversely remains hostile to both. Major programs such as food stamps, public housing, and Medicaid continue to reward idleness and penalize marriage. If welfare could be turned around to encourage work and marriage, remaining poverty would drop quickly.

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[2] Irwin Garfinkel, Lee Rainwater, and Timothy Smeeding, "A Re-examinaiton of Welfare States and Inequality in Rich Nations: How In-Kind Transfers and Indirect Taxes Change the Story," *Journal of Policy Analysis, and Management,* Volume 25, No. 4, 2006. A more detailed discussion of this issue is presented later in the text.

Finally, it is important to note the important role immigration plays in increasing poverty in the United States. Over the last twenty years, the U.S. has admitted an unprecedented stream of low skill immigrants, with over 11 million high school drop outs coming to reside in the U.S. both legally and illegally. This mass influx of low skill immigrants has led to dramatic a dramatic increase in the number of poor persons in the nation. Today, more than one in poor child in four in the U.S. is the child of first generation immigrant parents. Some 12 percent of poor children in the U.S. are the children of illegal immigrant parents. The U.S. will be unable to make further progress against poverty as long as this flood of low skill immigration continues.[3]

What is Poverty?

For most Americans, the word "poverty" suggests destitution: an inability to provide a family with nutritious food, clothing, and reasonable shelter. For example, the "Poverty Pulse" poll taken by the Catholic Campaign for Human Development in 2002 asked the general public the question: "How would you describe being poor in the U.S.?" The overwhelming majority of responses focused on homelessness, hunger or not being able to eat properly, and not being able to meet basic needs.[4]

But if poverty means lacking nutritious food, adequate warm housing, and clothing for a family, relatively few of the 37 million people identified as being "in poverty" by the Census Bureau could be characterized as poor.[5] While material hardship does exist in the United States, it is quite restricted in scope and severity. The average "poor" person, as defined by the government, has a living standard far higher that the public imagines.

Ownership of Property and Amenities Among the Poor

Table 1 shows the ownership of property and consumer durables among poor households. The data are taken from the American Housing Survey for 2001, conducted by the U.S. Department of Housing and Urban Development and the Census Bureau, and the Residential Energy Consumption Survey conducted by the U.S. Department of Energy.[6]

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[3] Robert Rector, "Importing Poverty: Immigration and Poverty in the United States," Heritage Special Report, SR9., October 25, 2006.

[4] See Campaign for Human Development, Poverty Pulse, January 2002, at *www.usccb.org/cchd/povertyusa/povpulse.htm*. Interestingly, only about 1 percent of those surveyed regarded poverty in the terms the government does: as having an income below a specified level.

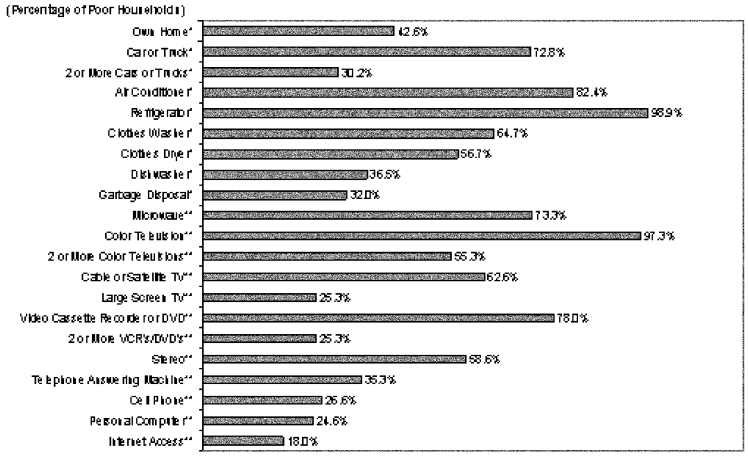
[5] The Census Bureau defines an individual as poor if his or her household income falls below certain specified income thresholds. These thresholds vary by family size. In 2002, a family of four was deemed poor if their annual income fell below $18,556; a family of three was deemed poor if annual income was below $14,702. There are a number of problems with the Census Bureau's poverty figures: Census undercounts income, ignores assets accumulated in prior years, and disregards non-cash welfare such as food stamps and public housing in its official count of income. However, the most important problem with Census figures is that, even if a family's income falls below the official poverty thresholds, the family's actual living conditions are likely to be far higher than the image most Americans have in mind when they hear the word "poverty."

[6] U.S. Department of Commerce and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States: 2001*; U.S Department of Energy, *Housing Characteristics, 2001*, Appliances Tables, at *www.eia.doe.gov/emeu/consumption*.

Table 1

Ownership of Property and Consumer Goods Among Poor Households

(Percentage of Poor Households)



Note: * Figures from American Housing Survey 2001 and 2005.
** Figures from U.S. Department of Energy, Housing Characteristics 2001.
Source: U.S. Department of Commerce, U.S. Department of Housing and Urban Development, American Housing Survey for the United States: 2001, Current Housing Reports P-H150/01 U.S. Department of Energy, Energy Information Administration, Housing Characteristics 2001.

As the table shows, some 43 percent of poor households own their own home. The typical home owned by the poor is a three-bedroom house with one-and-a-half baths. It has a garage or carport and a porch or patio and is located on a half-acre lot. The house was constructed in 1967 and is in good repair. The median value of homes owned by poor households was $86,600 in 2001 or 70 percent of the median value of all homes owned in the United States.[7]

Some 73 percent of poor households own a car or truck; nearly a third own two or more cars or trucks. Over eighty percent have air conditioning; by contrast, 35 years ago, only 36 percent of the general U.S. population had air conditioning. Nearly three-quarters of poor households own microwaves; a third have automatic dishwashers.

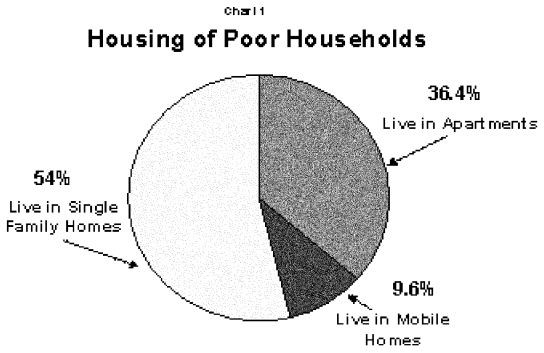
Poor households are well-equipped with modern entertainment technology. It should come as no surprise that nearly all (97 percent) of poor households have color TVs, but more than half actually own two or more color televisions. One-quarter own large-screen televisions, 78 percent have a VCR or DVD player, and almost two-thirds have cable or satellite TV reception. Some 58 percent own a stereo. More than a third have telephone answering machines, while a quarter have personal computers. While these numbers do not suggest lives of luxury, they are notably different from conventional images of poverty.

Housing Conditions

A similar disparity between popular conceptions and reality applies to the housing conditions of the poor. Most poor Americans live in houses or apartments that are relatively spacious and in good repair. As Chart 1 shows, 54 percent of poor households live in single-family homes, either unattached single dwellings or attached units such as townhouses. Another 36.4 percent live in apartments, and 9.6 percent live in mobile homes.[8]

[7] U.S Department of Commerce and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States: 2001*, Tables 3–1, 3–14.

[8] U.S. Department of Commerce and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States: 2001*, p. 42.



Source: U.S. Department of Commerce, U.S. Department of Housing and Urban Development, American Housing Survey for the United States, 2001

Housing Space

Both the overall U.S. population and the poor in America live, in general, in very spacious housing. As Table 2 shows, 70 percent of all U.S. households have two or more rooms per tenant. Among the poor, this figure is 68 percent.

Table 2

Crowding All Households
Compared to Poor Households: 2001

Persons Per Room	Rooms Per Person	All Households	Poor Households
0.50 or Less	2 or More	70.2%	67.9%
.51 - 1.00	1 to 2	27.8%	26.3%
1.01 - 1.50	0.99 to 0.75	2.0%	4.4%
1.51 or More	Less Than .75	0.5%	1.3%

Source: U.S. Department of Commerce, U.S. Department of Housing and Urban Development, American Housing Survey for the United States in 2001

Crowding is quite rare; only 2.5 percent of all households and 5.7 percent of poor households are crowded with more than one person per room.[9] By contrast, social reformer Jacob Riis, writing on tenement living conditions around 1890 in New York City, described crowded families living with four or five persons per room and some 20 square feet of living space per person.[10]

Housing space can also be measured by the number of square feet per person. The Residential Energy Consumption survey conducted by the U.S. Department of Energy shows that Americans have an average of 721 square feet of living space per

[9] *Ibid.*, p. 46.
[10] Jacob Riis, *How the Other Half Lives* (New York: Dover Press, 1971), pp. 6, 41, 59.

person. Poor Americans have 439 square feet.[11] Reasonably comparable international square-footage data are provided by the Housing Indicator Program of the United Nations Center for Human Settlements, which surveyed housing conditions in major cities in 54 different nations. This survey showed the United States to have by far the most spacious housing units, with 50 percent to 100 percent more square footage per capita than city dwellers in other industrialized nations.[12]

Table 3

Housing Space: Square Feet per Capita

Income Grouping	Income Range GNP Per Capita	Typical Nations	Housing-Average Square Feet Per
United States Total	NA	NA	721 sq. ft.
United States Poor	NA	NA	439
U.S. Poor Apartment Dwellings	NA	NA	320
High Income Countries	$14,360 - $23,810	United Kingdom, France Germany, Japan	376.8
High Middle Income Countries	2,470 - 10,450	Hungary, Greece, Korea, Spain	236.6
Middle Income Countries	1,260 - 52,450	Turkey, Chile, Poland, Mexico	162.4
Low Income Countries	500 - 1,200	Egypt, Philippines, Morocco, Colombia	94.7
Very Low Income Countries	130 - 390	India, China, Nigeria, Pakistan	65.5

Source: United Nations Centre for Human Settlements and the World Bank, the Housing Indicators Program, Volume II: Preliminary Findings, p. 26 and Housing Characteristics 1995.

America's poor compare favorably with the general population of other nations in square footage of living space. The average poor American has more square footage of living space than does the average person living in London, Paris, Vienna, and Munich. Poor Americans have nearly three times the living space of average urban citizens in middle-income countries such as Mexico and Turkey. Poor American households have seven times more housing space per person than the general urban population of very-low-income countries such as India and China. (See Appendix Table A for more detailed information.)

Some critics have argued that the comparisons in Table 3 are misleading.[13] These critics claim that U.S. housing in general cannot be compared to housing in specific European cities such as Paris or London because housing in these cities is unusually small and does not represent the European housing stock overall. To assess the validity of this argument, Table 4 presents national housing data for 15 West European countries. These data represent the entire national housing stock in each of the 15 countries. In general, the national data on housing size are similar to the data on specific European cities presented in Table 3 and Appendix Table A.

As Table 4 shows, U.S. housing (with an average size of 1,875 square feet per unit) is nearly twice as large as European housing (with an average size of 976 square feet per unit.) After adjusting for the number of persons in each dwelling unit, Americans have an average of 721 square feet per person, compared to 396 square feet for the average European.

The housing of poor Americans (with an average of 1,228 square feet per unit) is smaller than that of the average American but larger than that of the average European (who has 976 square feet per unit). Overall, poor Americans have an average of 439 square feet of living space per person, which is as much as or more than the average citizen in most West European countries. (This comparison is to the average European, not poor Europeans.)

[11] U.S. Department of Energy, *Housing Characteristics 1993*, 1995, pp. 46, 47. The figures in the text refer to total living space, including both heated and non-heated living space.

[12] United Nations Centre for Human Settlements and the World Bank, *The Housing Indicators Program, Vol. II: Indicator Tables* (New York: United Nations, 1993), Table 5.

[13] See Katha Pollitt, "Poverty: Fudging the Numbers," *The Nation,* November 2, 1998. Pollitt argues that it is misleading to compare the living space of poor Americans nationwide to that of average citizens in major cities in other nations, since European cities, in particular, have small housing units that are not representative of their entire nations. However, the author of the United Nations *Housing Indicators* report asserts that, in most cases, the average housing size in major cities can be taken as roughly representative of the nation as a whole. A comparison of the data in Table 4 and Appendix Table A would appear to confirm this.

Table 4
Comparison of Living Space
American and European Housing

Country	Year of Survey	Average Persons Per Dwelling	Average Floor Space Per Dwelling in Square Feet	Average Floor Space Square Feet Per Person
Austria	2000	2.4	974.9	406.2
Belgium	1991	2.5	928.6	371.4
Denmark	2001	2.1	1171.8	558.0
France	1996	2.5	946.9	378.8
Finland	2000	2.1	823.1	392.0
Germany	1998	2.2	932.9	424.0
Greece	1991	3	856.5	285.5
Ireland	2001	3	950.1	316.7
Italy	1991	2.1	971.6	462.7
Luxembourg	2001	2.6	1345.0	517.3
Netherlands	2000	2.4	1054.5	439.4
Portugal	1998	3.2	893.1	279.1
Spain	1991	3.3	917.8	278.1
Sweden	1997	2.1	966.2	460.1
United Kingdom	1996	2.4	914.6	381.1
European Average		2.5	976.5	396.7
U.S. Poor Households	1993	2.8	1228	438.6
U.S. All Households	1993	2.6	1875	721.2

Source: Housing Statistics in the European Union 2002; U.S. Department of Energy, Energy Information Administration, Housing Characteristics, 1993, Table 3.4

Housing Quality

Of course, it might be possible that the housing of poor American households could be spacious but still dilapidated or unsafe. However, data from the American Housing Survey indicate that such is not the case. For example, the survey provides a tally of households with "severe physical problems." Only a tiny portion of poor households and an even smaller portion of total households fall into that category.

The most common "severe problem," according to the American Housing Survey, is a shared bathroom, which occurs when occupants lack a bathroom and must share bathroom facilities with individuals in a neighboring unit. This condition affects about 1 percent of all U.S. households and 2 percent of all poor households. About one-half of 1 percent (0.5 percent) of all households and 2 percent of poor households have other "severe physical problems." The most common are repeated heating breakdowns and upkeep problems.

The American Housing Survey also provides a count of households affected by "moderate physical problems." A wider range of households falls into this category—9 percent of the poor and nearly 5 percent of total households. However, the problems affecting these units are clearly modest. While living in such units might be disagreeable by modern middle-class standards, they are a far cry from Dickensian squalor. The most common problems are upkeep, lack of a full kitchen, and use of unvented oil kerosene or gas heaters as the primary heat source. (The last condition occurs almost exclusively in the South.)

Hunger and Malnutrition in America

There are frequent charges of widespread hunger and malnutrition in the United States.[14] To understand these assertions, it is important, first of all, to distinguish between hunger and the more severe problem of malnutrition. Malnutrition (also called undernutrition) is a condition of reduced health due to a chronic shortage of calories and nutriments. There is little or no evidence of poverty-induced malnutrition in the United States.

Hunger is a far less severe condition: a temporary but real discomfort caused by an empty stomach. The government defines hunger as "the uneasy or painful sensa-

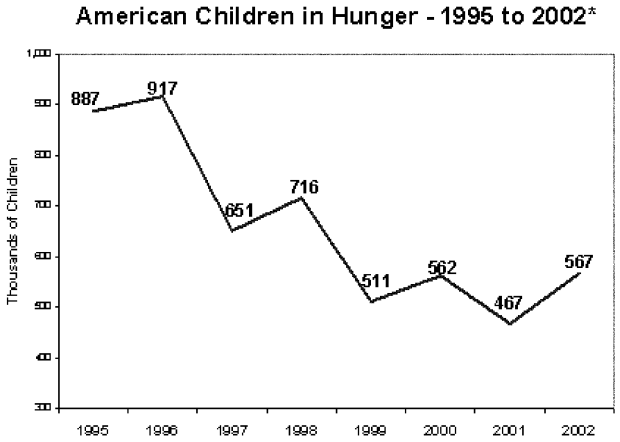
[14] See, for example, *A Survey of Childhood Hunger in the United States* (Washington, D.C.: Food Research Action Center, Community Childhood Hunger Identification Project, 1995) and "1997 National Research Study," in *Hunger 1997: The Faces and Facts* (Chicago, Ill.: America's Second Harvest, 1997).

tion caused by lack of food."[15] While hunger due to a lack of financial resources does occur in the United States, it is limited in scope and duration. According to the USDA, on a typical day, fewer than one American in 200 will experience hunger due to a lack of money to buy food.[16] The hunger rate rises somewhat when examined over a longer time period; according to the USDA, some 6.9 million Americans, or 2.4 percent of the population, were hungry at least once during 2002.[17] Nearly all hunger in the United States is short-term and episodic rather than continuous.[18]

Some 92 percent of those who experienced hunger in 2002 were adults, and only 8 percent were children. Overall, some 567,000 children, or 0.8 percent of all children, were hungry at some point in 2002. In a typical month, roughly one child in 400 skipped one or more meals because the family lacked funds to buy food.

Not only is hunger relatively rare among U.S. children, but it has declined sharply since the mid-1990s. As Chart 2 shows, the number of hungry children was cut by a third between 1995 and 2002. According to the USDA, in 1995, there were 887,000 hungry children: by 2002, the number had fallen to 567,000.[19]

Chart 2



Note: "Children residing in households where at least one child is "food insecure with hunger."
Source: USDA Economic Research Service, *Household Food Security in the United States 2002*, p.7. Additional Data provided by USDA

Overall, some 97 percent of the U.S. population lived in families that reported they had "enough food to eat" during the entire year, although not always the kinds

[15] U.S. Department of Agriculture, H*ousehold Food Security in the United States in 1995: Summary Report for the Food Security Measurement Project*, 1997, p. 5.

[16] In all cases, the figures concerning hunger in this paper refer solely to hunger caused by a lack of funds to buy food and do not include hunger that is attributed to any other cause.

[17] Mark Nord, Margaret Andrews, and Steven Carlson, *Household Food Security in the United States, 2002*, U.S. Department of Agriculture, October 2003, p. 7. The numbers in the text were taken from Table 1 of the USDA publication. Many individuals reside in households where at least one family member but not all family members experienced hunger. This is particularly true among families with children where the adults are far more likely than the children to experience hunger. According to Table 1of *Household Food Security in the United States, 2002*, 9.3 million persons lived in a household where at least one household member experienced hunger; however, not all of these persons experienced hunger themselves. The number of persons who experienced hunger individually was lower: 6.8 million people, including 6.3 million adults and 567,000 children.

[18] The numbers of persons identified as hungry throughout this paper correspond to individuals that the USDA identifies as "food insecure with hunger." The USDA also has a second, broader category: "food insecure without hunger." As the term implies, these individuals are not hungry. They may, however, at certain times in the year be forced to eat cheaper foods or a narrower range of foods than those to which they are ordinarily accustomed. According to the USDA, 7.6 percent of all households were "food insecure without hunger" in 2002. Food advocacy groups often inaccurately include the households that are "food insecure without hunger" in the count of households that are deemed hungry.

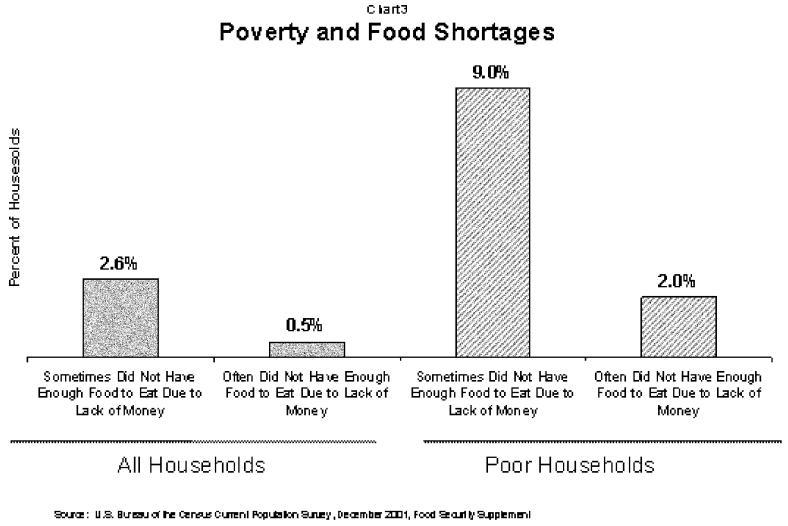
[19] Nord, Andrews, and Carlson, *Food Security in the United States, 2002*, p. 7. Additional data provided by USDA.

of foods they would have preferred. Around 2.5 percent stated their families "sometimes" did not have "enough to eat" due to money shortages, and one-half of 1 percent (0.5 percent) said they "often" did not have enough to eat due to a lack of funds. (See Chart 3.)

Hunger and Poverty

Among the poor, the hunger rate was obviously higher: During 2002, 12.8 percent of the poor lived in households in which at least one member experienced hunger at some point.[20] Among poor children, 2.4 percent experienced hunger at some point in the year.[21] Overall, most poor households were not hungry and did not experience food shortages during the year.

When asked, some 89 percent of poor households reported they had "enough food to eat" during the entire year, although not always the kinds of food they would prefer. Around 9 percent stated they "sometimes" did not have enough to eat because of a lack of money to buy food. Another 2 percent of the poor stated that they "often" did not have enough to eat due to a lack of funds.[22] (See Chart 3.)



Poverty and Malnutrition

It is widely believed that a lack of financial resources forces poor people to eat low-quality diets that are deficient in nutriments and high in fat. However, survey data show that nutriment density (amount of vitamins, minerals, and protein per kilocalorie of food) does not vary by income class.[23] Nor do the poor consume higher-fat diets than do the middle class; the percentage of persons with high fat intake (as a share of total calories) is virtually the same for low-income and upper-middle-income persons.[24] Overconsumption of calories in general, however, is a major problem among the poor, as it is within the general U.S. population.

Examination of the average nutriment consumption of Americans reveals that age and gender play a far greater role than income class in determining nutritional intake. For example, the nutriment intakes of adult women in the upper middle class (with incomes above 350 percent of the poverty level) more closely resemble the intakes of poor women than they do those of upper-middle-class men, children, or

[20] Nord, Andrews, and Carlson, *Food Security in the United States, 2002*, p. 16.
[21] *Ibid.*, p. 17.
[22] Calculated from USDA food security survey for 2001.
[23] C. T. Windham et al., "Nutrient Density of Diets in the USDA Nationwide Food Consumption Survey, 1977–1978: Impact of Socioeconomic Status on Dietary Density," Journal of the American Dietetic Association, January 1983.
[24] Interagency Board for Nutrition Monitoring and Related Research, *Third Report on Nutrition Monitoring in the United States* (Washington, D.C.: U.S. Government Printing Office, 1995), p. VA 167.

teens.[25] The average nutriment consumption of upper-middle-income preschoolers, as a group, is virtually identical with that of poor preschoolers but not with the consumption of adults or older children in the upper middle class.

This same pattern holds for adult males, teens, and most other age and gender groups. In general, children aged 0–11 years have the highest average level of nutriment intakes relative to the recommended daily allowance (RDA), followed by adult and teen males. Adult and teen females have the lowest level of intakes. This pattern holds for all income classes.

Nutrition and Poor Children

Government surveys provide little evidence of widespread undernutrition among poor children; in fact, they show that the average nutriment consumption among the poor closely resembles that of the upper middle class. For example, children in families with incomes below the poverty level actually consume more meat than do children in families with incomes at 350 percent of the poverty level or higher (roughly $65,000 for a family of four in today's dollars).

Table 5

Average Nutrient Intakes as a Percentage of Recommended Daily Allowance

	All Children 5 and Under		Males ages 6-11		Females ages 6-11		Males ages 12-19		Females ages 12-19	
	Under 100% Poverty	Over 350% Poverty	Under 100% Poverty	Over 350% Poverty	Under 100% Poverty	Over 350% Poverty	Under 100% Poverty	Over 350% Poverty	Under 100% Poverty	Over 350% Poverty
Protein	267%	274%	246%	220%	225%	231%	168%	184%	150%	145%
Vitamin A(IU)	180%	210%	131%	116%	131%	167%	102%	153%	85%	124%
Vitamin E	107%	91%	96%	89%	90%	107%	74%	104%	72%	78%
Vitamin C	203%	223%	181%	207%	169%	217%	173%	231%	153%	183%
Thiamin	166%	169%	155%	143%	147%	155%	124%	143%	125%	125%
Riboflavin	198%	207%	165%	167%	159%	174%	133%	158%	126%	137%
Niacin	143%	149%	138%	141%	127%	153%	122%	141%	117%	120%
Vitamin B-6	117%	126%	115%	112%	104%	124%	97%	113%	93%	97%
Folate	339%	376%	245%	262%	241%	268%	163%	186%	126%	139%
Vitamin B-12	450%	537%	328%	287%	302%	316%	253%	342%	180%	172%
Calcium	98%	107%	109%	113%	106%	112%	80%	105%	62%	71%
Phosphorus	120%	125%	148%	142%	141%	148%	116%	145%	95%	95%
Magnesium	187%	213%	141%	131%	135%	142%	83%	96%	77%	77%
Iron	109%	119%	121%	135%	118%	122%	132%	161%	79%	77%
Zinc	76%	76%	96%	86%	90%	95%	80%	102%	80%	74%
Average Nutrient Intake	184%	200%	161%	157%	152%	169%	127%	158%	108%	114%
Mean Adequacy Ratio	98	98	99	98	99	100	94	100	90	91

Source: United States Department of Agriculture, September 1995, Food and Nutrient Intakes by Individuals in the United States, 1 Day, 1989-91, Tables 10-1, 10-4.

Table 5 shows the average intake of protein, vitamins, and minerals as a percentage of the recommended daily allowance among poor and middle-class children at various age levels.[26] The intake of nutriments is very similar for poor and middle-class children and is generally well above the recommended daily level. For example, the consumption of protein (a relatively expensive nutriment) among poor children is, on average, between 150 percent and 267 percent of the RDA.

When shortfalls of specific vitamins and minerals appear (for example, among teenage girls), they tend to be very similar for the poor and the middle class. While poor teenage girls, on average, tend to underconsume vitamin E, vitamin B–6, calcium, phosphorus, magnesium, iron, and zinc, a virtually identical underconsumption of these same nutriments appears among upper-middle-class girls.

Poor Children's Weight and Stature

On average, poor children are very well-nourished, and there is no evidence of widespread significant undernutrition. For example, two indicators of undernutrition among the young are "thinness" (low weight for height) and stuntedness (low height for age). These problems are rare to nonexistent among poor American children.

The generally good health of poor American children can be illustrated by international comparisons. Table 6 provides data on children's size based on the World

[25] U.S. Department of Agriculture, *Food and Nutrient Intakes by Individuals in the United States, 1 Day, 1989–91*, Nationwide Food Survey Report No. 91–2, 1995.

[26] *Ibid.*, Tables 10–1, 10–4. Table 4 in the present paper also provides the "mean adequacy ratio" for various groups. The mean adequacy ratio represents average intake of all the nutriments listed as a percent of RDA. However, in computing mean adequacy, intake values exceeding 100 percent of RDA are counted at 100, since the body cannot use an excess consumption of one nutriment to fill a shortfall of another nutriment.

Health Organization (WHO) Global Data Base on Child Growth: Children are judged to be short or "stunted" if their height falls below the 2.3 percentile level of standard height-to-age tables.[27] Table 6 shows the percentage of children under age five in developing nations who are judged to be "stunted" by this standard.

Table 6: Prevalence of Stuntedness (Low Height for Age): Children in Developing Countries and Poor Children in the United States

		% Stunted*
Africa	All Children Under Five	38.6%
Asia	All Children Under Five	47.1
Latin America	All Children Under Five	22.2
Oceania	All Children Under Five	41.9
All Developing Countries	All Children Under Five	42.7
United States	Poor Children Under Five	2.6

Sources: de Onis, Mercedes, C. Monteiro, J. Akre, and G. Clugston, "The Worldwide Magnitude of protein-energy malnutrition: an overview from the WHO Global Database on Child Growth", Bulletin of the World Health Organization, 71(6): 703-712 (1993). U.S. Data calculated by the authors from the Third National Health and Nutrition Evaluation Survey. *Stunted refers to height for age below 2 standard deviations or the WHO/NCHS reference norms (2.3 percentile).

In developing nations as a whole, some 43 percent of children are stunted. In Africa, more than a third of young children are affected; in Asia, nearly half.[28] By contrast, in the United States, some 2.6 percent of young children in poor households are stunted by a comparable standard—a rate only slightly above the expected standard for healthy, well-nourished children.[29] While concern for the well-being of poor American children is always prudent, the data overall underscore how large and well-nourished poor American children are by global standards.

Throughout this century, improvements in nutrition and health have led to increases in the rate of growth and ultimate height and weight of American children. Poor children have clearly benefited from this trend. Poor boys today at ages 18 and 19 are actually taller and heavier than boys of similar age in the general U.S. population in the late 1950s. Poor boys living today are one inch taller and some 10 pounds heavier than GIs of similar age during World War II, and nearly two inches taller and 20 pounds heavier than American doughboys back in World War I.[30]

Poverty and Obesity

The principal nutrition-related health problem among the poor, as with the general U.S. population, stems from the *over*consumption, not underconsumption, of food. While overweight and obesity are prevalent problems throughout the U.S. population, they are found most frequently among poor adults. Poor adult men are slightly less likely than non-poor men to be overweight (30.4 percent compared to 31.9 percent); but, as Chart 4 shows, poor adult women are significantly more likely to be overweight than are non-poor women (47.3 percent compared to 32 percent).[31]

[27] The World Health Organization uses standard height-for-age tables developed by the National Center for Health Statistics at the Centers for Disease Control and Prevention of the U.S. Department and Health and Human Services.

[28] M. de Onis and J. P. Habicht, "Anthropometric Reference Data for International Use: Recommendations from a World Health Organization Expert Committee," *American Journal of Clinical Nutrition*, 1996, pp. 650–658.

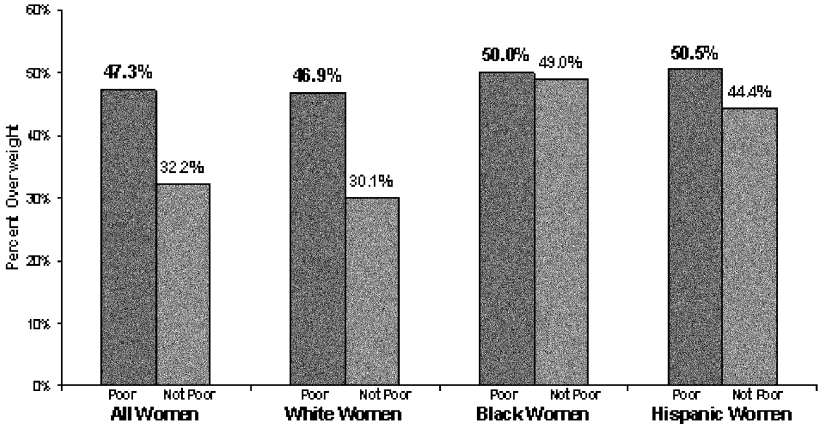
[29] Calculation by the authors using National Health and Nutrition Evaluation Survey III data and WHO standard tables for shortness for age. Shortness for age is the result of genetic variation as well as nutritional factors. The World Health Organization standards assume that even in a very well-nourished population, 2.3 percent of children will have heights below the "stunted" cut-off levels due to normal genetic factors. Problems are apparent if the number of short children in a population rises appreciably above that 2.3 percent.

[30] Bernard D. Karpinos, "Current Height and Weight of Youths of Military Age," Human Biology, 1961, pp. 336–364. Recent data on young males in poverty provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services, based on the second National Health and Nutrition Examination Survey.

[31] Interagency Board for Nutrition Monitoring and Related Research, *Third Report on Nutrition Monitoring*, Vol. 2, p. VA 219.

Chart 4

Obesity Among Adult Women



Source: Interagency Board for Nutrition Monitoring and Related Research, Third Report on Nutrition Monitoring, Vol. 2, p. VA 219.

Living Conditions and Hardships Among the Poor

Overall, the living standards of most poor Americans are far higher than is generally appreciated. The overwhelming majority of poor families are well-housed, have adequate food, and enjoy a wide range of modern amenities, including air conditioning and cable television. Some 70 percent of poor households report that during the course of the past year they were able to meet "all essential expenses," including mortgage, rent, utility bills, and important medical care.[32] (See Chart 5.)

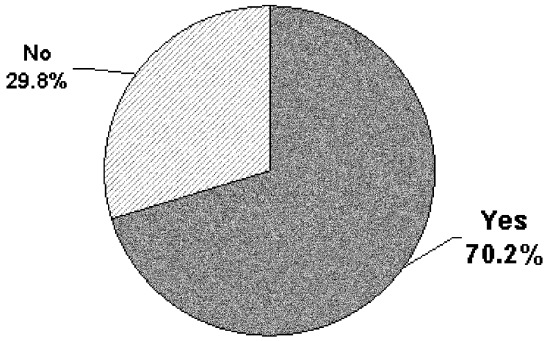
However, two caveats should be applied to this generally optimistic picture. First, many poor families have difficulty paying their regular bills and must scramble to make ends meet. For example, around one-quarter of poor families are late in paying the rent or utility bills at some point during the year.

Second, the living conditions of the average poor household should not be taken to represent all poor households. There is a wide range of living conditions among the poor; while more than a quarter of the poor have cell phones and answering machines, a tenth of the poor have no telephone at all. While most of America's poor live in accommodations with two or more rooms per person, roughly a tenth of the poor are crowded, with less than one room per person.

[32] Calculated from U.S. Bureau of the Census, Survey of Income and Program Participation, Extended Measures of Well-being Module, 1998.

Chart 5

Percent of Poor Households Which Were Able to Meet All Essential Expenses During Last Year*



*Percentage of Poor Households That Report Being Able to Meet Essential Household Expenses Such As Mortgage or Rent, Utility Bills and Important Medical Care

Source: U.S. Bureau of The Census; Survey of Income and Program Participation, 1998

These points are illustrated in Table 7, which lists the financial and material hardships among poor households in 1998.[33] During at least one month in the preceding year, some 20 percent of poor households reported they were unable to pay their fuel, gas, or electric bills promptly; around 4 percent had their utilities cut off at some point due to nonpayment. Another 13 percent of poor households failed, at some point in the year, to make their full monthly rent or mortgage payments, and 1 percent were evicted due to failure to pay rent. One in 10 poor families had their phones disconnected due to nonpayment at some time during the preceding year.

[33] Calculated from U.S. Bureau of the Census, Survey of Income and Program Participation, Extended Measures of Well-being Module, 1998.

Table 7
Financial and Material Problems

% Experiencing Problems at Any Time During Prior Twelve Months	All Households	Poor Households
Financial Problems		
Failed to Pay Full Gas, Oil or Electric Bill on Time	9.10%	19.90%
Failed to Pay Full Rent or Mortgage on Time	5.40%	12.90%
Had Phone Disconnected Due to Non-Payment	3.80%	10.00%
Had Gas, Oil or Electricity Cut Off Due to Non-Payment	1.30%	3.60%
Evicted for Not Paying Rent or Mortgage	0.30%	0.90%
Material Hardships		
Lacked Medical Insurance and Needed to Go to a Doctor or Hospital but Were Unable to Go	6.10%	13.80%
Hunger in Household	3.20%	10.90%
Crowded: More than One Person Per Room	3.20%	8.60%
Three or More Physical Upkeep Problems in Home	1.50%	3.40%
Total Financial and Material Problems		
Had Zero Financial and Material Problems	81.20%	58.50%
Had One Problem	10.40%	19.60%
Had Two or More Problems	8.40%	21.80%
Total Problems Excluding Late Payment of Utilities, Rent or Mortgage		
Had Zero Problems	86.10%	66.10%
Had One Problem	9.90%	21.80%
Had Two Problems	2.80%	8.20%
Had Three or More Problems	1.20%	3.90%

Source: U.S. Bureau of the Census, Survey of Income and Program Participation, 1998

Overall, more than one-quarter of poor families experienced at least one financial difficulty during the year. Most had a late payment of rent or utility bills. Some 12 percent had phones or utilities cut off or were evicted.

Poor households also experienced the material problems listed on Table 7.[34] Some 14 percent lacked medical insurance and had a family member who needed to go to a doctor or hospital but did not go; 11 percent experienced hunger in the household; and around 9 percent were overcrowded, with more than one person per room. Slightly less than 4 percent of poor households experienced upkeep problems with the physical conditions of their apartments or homes, having three or more of the physical problems listed in Table 7.

Overall Hardship

Altogether, around 58 percent of poor households experienced none of the financial or physical hardships listed in Table 7 These families were able to pay all their bills on time. They were able to obtain medical care if needed, were not hungry or crowded, and had few upkeep problems in the home. Another 20 percent of poor households experienced one financial or material problem during the year. Around 10 percent of poor households had two financial or material problems, while 12 percent had three or more.

[34] The Survey of Income and Program Participation, Extended Measures of Well-being Module also contains a question about whether members of the household needed to see a dentist but did not go. Because the question does not specify whether or not the failure to visit the dentist was due to an inability to pay, we did not include the question in this report.

The most common problem facing poor households was late payment of rent or utilities. While having difficulty paying monthly bills is stressful, in most cases late payment did not result in material hardship or deprivation. If late payment problems are excluded from the count, we find that two-thirds of poor households had none of the remaining problems listed in Table 7. Some 22 percent had one problem, and 12 percent had two or more problems.

While it is appropriate to be concerned about the difficulties faced by some poor families, it is important to keep these problems in perspective. Many poor families have intermittent difficulty paying rent or utility bills but remain very well-housed by historic or international standards. Even poor families who are overcrowded and hungry, by U.S. standards, are still likely to have living conditions that are far above the world average.

Cross National Comparisons of Social Welfare Expenditures

Studies that compare the size and effects of the U.S. social welfare system with welfare in other nations usually restrict the comparison to cash welfare transfers. This can be misleading. The difference between the U.S. and other rich nations is not so much in the level of spending but in the type of spending. Comparatively, the U.S. spends little on cash aid for the non-elderly but a great deal on education and medical care. As leading poverty scholars, Timothy Smeeding, Irv Garfinkel and Lee Rainwater write, "studies that take account of only cash transfers are omitting about half of the total redistribution accomplished by welfare states. . . . Americans are small spenders on cash support but big spenders on education and especially health care."[35]

The U.S. differs from other rich nations in another important respect. In European nations, government medical care programs cover the entire population, rich and poor; whereas, in the U.S., government directly funds the health care only of the elderly (through Medicare) and the poor (mainly through Medicaid). Consequently, European social welfare spending may appear large because their government health care programs cover everyone, while in the U.S., most working and middle class families receive health care through employer provided coverage. A meaningful comparison of expenditures thus must either include employer provided care or exclude European government expenditures on the non-elderly middle class.

A third major difference between the U.S. and other rich nations is that those nations rely far more on regressive indirect taxes, such at the Value Added Tax, which fall heavily on consumers. These indirect taxes take back a significant portion of the cash welfare aid these societies give out. Since nations differ in the degree to which social welfare benefits are taxed, the best measure of comparison would be a comprehensive count of post tax benefits.

The pioneering analysis of Garfinkel, Rainwater, and Smeeding provides the best comparison of social welfare spending in the U.S. and other countries and its effect on inequality. This analysis provides a comprehensive post tax count of social welfare spending including: government pension aid, cash and near cash welfare, public spending on primary and secondary education, and health care spending including employer provided coverage. Their analysis finds that the post tax value of social welfare spending in the U.S. equals around 25 percent of Gross Domestic Product (GDP) (about 4 to 5 percent points of this figure represents employer-provided health care). U.S. spending as a share of GDP is greater than the share in Australia, Canada and the Netherlands but less than other rich nations. The highest level of social welfare spending by this measure occurs in Belgium where social welfare spending is slightly more than 30 percent of GDP.[36]

However, social welfare spending as a share of GDP can be somewhat misleading since the U.S. has a substantially higher GDP per capita than most European nations. It is therefore possible for the U.S. to spend less on social welfare as a share of GDP while still having higher absolute spending per person. The analysis of Smeeding, et. al., finds this is the case. In fact, social welfare spending per capita is higher in the U.S. than in all the other rich nations studied except Sweden.[37]

With respect to social welfare spending on children, the picture is even more favorable for the U.S. In 2000, social welfare spending in the U.S. (including cash and near cash benefits, primary and secondary public education, and health care) averaged $23,982 for each household with children. This spending level exceeded all the other rich nations in the study; it was nearly twice the Australian level and almost

[35] Garfinkel, et al, 2006, p. 905.

[36] Ibid., p. 906

[37] Irwin Garfinkel, Lee Rainwater, and Timothy Smeeding, "Equal Opportunities for Children: Social Welfare Expenditures in the English-speaking countries and Westen Europe," *Focus,* Vol. 23. no. 3, Spring 2005, p. 19.

50 percent higher than the level in France. Smeeding, Garfinkel, and Rainwater write, "For those of us who cling to the notion that the United States welfare state is undersized, the absolute size of the United States total mean and median welfare state benefits per household with children—$22,259 [median] (or $23,982 mean)—is staggering once one includes health and education spending."[38]

Their analysis also shows that the widespread belief that the U.S. is far more unequal than other nations is misplaced, at least with respect to the bottom half of the income distribution. If all households are arrayed in order from the lowest to the highest level of economic resources, the ratio of the income of household at the tenth percentile from the bottom to the income of the median household is called the P10/P50 ratio. Including all social welfare spending, the P10/P50 ratio in the U.S. is 53 percent. This is slightly higher than the ratios in Australia and Canada, and slightly lower than the ratios of European countries. The greatest equality by this measure is found in Sweden which has a P10/P50 ratio of 58 percent.[39] Smeeding, et al, conclude that the equality of rich nations is very similar by this measure, and that cross national differences in the P10/P50 ratios of rich nations, including the U.S, are "barely distinguishable."[40] Finally, the fact that the U.S. is richer than the other nations in the comparison creates the possibility that the absolute economic resources devoted to U.S. households in the bottom decile may exceed the absolute resources of comparable households in European nations.

Smeeding, Garfinkel, and Rainwater conclude, "what distinguishes the United States from other rich nations is not so much the overall level of spending or the degree of inequality of total resources at the bottom of the income distribution, but rather the kind of resources being transferred. Comparatively speaking, the United States spends enough on health care transfers to reduce the economic distance between low income families and average income families nearly as much as do other rich nations."[41] The authors do question whether the far higher per capita medical spending levels in the U.S. actually translate into higher quality care compared to other nations and find that issue is, as yet, unresolved.[42]

Reducing Child Poverty

The generally high living standards of poor Americans are good news. Even better is the fact that our nation can readily reduce remaining poverty, especially among children. To accomplish this, we must focus on the main causes of child poverty: low levels of parental work and high levels of single parenthood.

In good economic times or bad, the typical poor family with children is supported by only 800 hours of work during a year: That amounts to 16 hours of work per week. If work in each family were raised to 2,000 hours per year—the equivalent of one adult working 40 hours per week through the year—nearly 75 percent of poor children would be lifted out of official poverty.[43]

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[38] Irwin Garfinkel, Lee Rainwater, and Timothy Smeeding, "Welfare State Expenditures and the Distribution of Child Opportunities," Luxembourg Income Study Working Papers Series, No. 379, June 2004, p 18.

[39] Garfinkel, et al, 2006, p. 908.

[40] Ibid., p. 907.

[41] Ibid., p. 913.

[42] Ibid., p. 914.

[43] Robert E. Rector and Rea S. Hederman, Jr., "The Role of Parental Work in Child Poverty," Heritage Foundation *Center for Data Analysis Report* No. CDA03–01, January 27, 2003.

Table 8

Physical Upkeep Problems in Houses or Apartments

% With Problem	All Households	Poor Households
1) Leaking Roof or Ceiling	6.9%	10.5%
2) Broken Window Glass or Windows That Cannot Shut	4.1%	7.9%
3) Electrical Wires Running on Outside of Wall in Finished Areas of Home	0.8%	1.9%
4) Toilet, Hot Water Heater, or Other Plumbing That Does Not Work	2.6%	4.5%
5) Holes in Walls or Ceiling or Cracks Wider Than Edge of a Dime	4.0%	7.1%
6) Holes in Floor Big Enough for Someone to Catch Their Foot On	0.9%	2.1%

Source: U.S. Census Bureau, Survey of Income and Program Participation, Adult Well-Being Topical Module, 1998

The decline in marriage is the second major cause of child poverty. Nearly two-thirds of poor children reside in single-parent homes; each year, an additional 1.3 million children are born out of wedlock. Increasing marriage would substantially reduce child poverty: If poor mothers married the fathers of their children, almost three-quarters would immediately be lifted out of poverty.[44]

In recent years, the United States has established a reasonable record in reducing child poverty. Successful anti-poverty policies were partially implemented in the welfare reform legislation of 1996, which replaced the old Aid to Families with Dependent Children (AFDC) program with a new program called Temporary Assistance to Needy Families (TANF).

A key element of this reform was a requirement that some welfare mothers either prepare for work or get jobs as a condition of receiving aid. As this requirement went into effect, welfare rolls plummeted and employment of single mothers increased in an unprecedented manner. As employment of single mothers rose, child poverty dropped rapidly. For example, in the quarter-century before welfare reform, there was no net change in the poverty rate of children in single-mother families; after reform was enacted, the poverty rate dropped in an unprecedented fashion, falling from 53.1 percent in 1995 to 39.8 percent in 2001.[45]

In general, however, welfare reform has been limited in both scope and intensity. Even in the TANF program, over half the adult beneficiaries are idle on the rolls and are not engaged in activities leading to self-sufficiency. Work requirements are virtually nonexistent in related programs such as food stamps and public housing. Even worse, despite the fact that marriage has enormous financial and psychological benefits for parents and children, welfare reform has done little or nothing to strengthen marriage in low-income communities. Overall, the welfare system continues to encourage idle dependence rather than work and to reward single parenthood while penalizing marriage.

If child poverty is to be substantially reduced, welfare must be transformed. Able-bodied parents must be required to work or prepare for work, and the welfare system should encourage rather than penalize marriage.

Conclusion

The living conditions of persons defined as poor by the government bear little resemblance to notions of "poverty" held by the general public. If poverty is defined as lacking adequate nutritious food for one's family, a reasonably warm and dry apartment to live in, or a car with which to get to work when one is needed, then

[44] Robert E. Rector, Kirk A. Johnson, Ph.D., Patrick F. Fagan, and Lauren R. Noyes, "Increasing Marriage Would Dramatically Reduce Child Poverty," Heritage Foundation *Center for Data Analysis Report* No. CDA03–06, May 20, 2003.

[45] Robert Rector and Patrick F. Fagan, "The Continuing Good News About Welfare Reform," Heritage Foundation *Backgrounder* No. 1620, February 6, 2003.

there are relatively few poor persons remaining in the United States. Real material hardship does occur, but it is limited in scope and severity.

The typical American defined as "poor" by the government has a car, air conditioning, a refrigerator, a stove, a clothes washer and dryer, and a microwave. He has two color televisions, cable or satellite TV reception, a VCR or DVD player, and a stereo. He is able to obtain medical care. His home is in good repair and is not overcrowded. By his own report, his family is not hungry and he had sufficient funds in the past year to meet his family's essential needs. While this individual's life is not opulent, it is equally far from the popular images of dire poverty conveyed by the press, liberal activists, and politicians.

But the living conditions of the average poor person should not be taken to mean that all poor Americans live without hardship. There is a wide range of living conditions among the poor. Roughly a third of poor households do face material hardships such as overcrowding, intermittent food shortages, or difficulty obtaining medical care. However, even these households would be judged to have high living standards in comparison to most other people in the world.

Perhaps the best news is that the United States can readily reduce its remaining poverty, especially among children. The main causes of child poverty in the United States are low levels of parental work and high numbers of single-parent families. By increasing work and marriage, our nation can virtually eliminate remaining child poverty.

International Housing Conditions

Country, City	Floor Area per Person (ft^2)	Persons per Room	Rooms per Person	Permanent Structures (%)	Water Connection (%)
U.S. Total*	721.0	0.46	2.17	na	na
U.S. Poor*	439.0	0.54	1.85	na	na
U.S. Poor Apartment Dwellers**	320.0	na	na	na	na
U.S.A. (Washington, D.C.)	738.95	0.39	2.56	100	100
Australia (Melbourne)	545.73	0.69	1.45	100	100
Norway (Oslo)	452.09	0.50	2.00	100	100
Canada (Toronto)	442.40	0.50	2.00	100	100
Sweden (Stockholm)	430.56	0.56	1.79	100	100
Germany (Munich)	376.74	0.56	1.79	100	99
France (Paris)	348.75	0.80	1.25	100	97
United Kingdom (London)	343.69	0.75	1.33	100	100
Austria (Vienna)	333.68	0.90	1.11	100	95
Finland (Helsinki)	327.23	0.67	1.49	100	99
Israel (Tel Aviv)	266.95	1.00	1.00	100	100
Greece (Athens)	263.72	0.82	1.22	100	100
Spain (Madrid)	262.64	0.63	1.59	100	98
The Netherlands (Amsterdam)	256.18	0.63	1.59	100	100
Hungary (Budapest)	252.95	1.33	0.75	98	99
Slovak Republic (Bratislava)	249.72	1.06	0.94	100	99
Singapore (Singapore)	215.28	1.40	0.71	99	100
Brazil (Rio de Janeiro)	208.28	1.00	1.00	99	97
Republic of Korea (Seoul)	202.36	1.48	0.68	97	100
Malaysia (Kuala Lumpur)	200.00	1.67	0.60	86	94
Poland (Warsaw)	187.29	0.94	1.06	100	98
Turkey (Istanbul)	182.99	2.00	0.50	95	94
Thailand (Bangkok)	177.39	2.01	0.50	97	76
Venezuela (Caracas)	172.22	2.00	0.50	90	70
Chile (Santiago)	171.04	1.18	0.85	85	99
Japan (Tokyo)	169.96	0.77	1.30	100	100
Jamaica (Kingston)	164.69	1.50	0.67	80	87
Egypt (Cairo)	129.17	1.50	0.67	94	71
The Philippines (Manila)	129.17	3.00	0.33	80	66
South Africa (Johannesburg)	119.48	na	na	66	95
Ghana (Accra)	111.95	3.20	0.31	100	49
Indonesia (Jakarta)	109.47	1.28	0.78	67	66
Jordan (Amman)	107.64	3.30	0.30	97	97
China (Beijing)	100.54	1.48	0.68	94	86
Nigeria (Ibadan)	96.88	2.00	0.50	100	63
Colombia (Bogota)	94.72	1.70	0.59	97	99
Mexico (Monterey)	92.79	1.15	0.87	93	91
Ecuador (Quito)	92.68	1.75	0.57	70	76
India (New Delhi)	92.57	2.47	0.40	86	38
Algeria (Algiers)	91.92	2.62	0.38	97	95
Senegal (Dakar)	87.19	2.30	0.43	84	49
Cote d'Ivoire (Abidjan)	85.04	2.22	0.45	88	33
Pakistan (Karachi)	76.42	3.00	0.33	97	66
Hong Kong (Hong Kong)	76.42	na	na	90	95
Zimbabwe (Harare)	75.35	2.28	0.44	83	97
Malawi (Lilongwe)	71.47	1.80	0.56	67	31
Tunisia (Tunis)	69.64	1.87	0.53	96	86
Morocco (Rabat)	64.58	2.27	0.44	94	86
Kenya (Nairobi)	54.57	3.70	0.27	67	40
Madagascar (Antananarivo)	54.47	5.53	0.18	43	36
Tanzania (Dar es Salaam)	53.82	2.20	0.45	76	52
Bangladesh (Dhaka)	40.04	3.50	0.29	55	60

*Data from U.S. Department of Energy's Energy Information Administration.
**Data depict average heated square feet per multi-family housing unit.

Source: United Nations Centre for Human Settlements and the World Bank, *The Housing Indicators Program, Volume II: Indicator Tables*, Table 5; U.S. Department of Energy, Energy Information Administration, *Housing Characteristics* 1993, Table 3.4.

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Chairman MCDERMOTT. Dr. Bernstein.

STATEMENT OF JARED BERNSTEIN, DIRECTOR OF THE LIVING STANDARDS PROGRAM, ECONOMIC POLICY INSTITUTE

Dr. BERNSTEIN. Chairman McDermott and Representative Weller, I thank you for the opportunity to testify, and I sincerely applaud your willingness to examine these issues of great importance to those of us on the panel and to our most economically vulnerable families. It is a symbol of a just society that we engage in an accurate assessment of the extent of material need among our populations. Such an assessment serves multiple purposes.

First, we want a tool that will tell us, given what we know about human needs and prevailing living standards, how many people lack the resources to meet their basic needs. Note that this framing introduces an absolute measure, meeting basic needs, but also a relative dimension, prevailing standards to the question of poverty measurement, and of course, we want to be able to assess the anti poverty effectiveness of market forces as well as or nonmarket interventions.

It is widely agreed upon that our current poverty measure fails to meet these criteria and does so by a long shot. It does not provide an accurate picture of the extent of material deprivation, nor does it tell us how far the poor are falling behind relative to the rest of us, nor does it enable us to gauge the effectiveness of our anti-poverty initiatives. My written testimony stresses these key points.

Our approach to measuring poverty is far outdated and fails to provide an accurate count of the extent that we need in America. Newer methods that correct many of the problems with the official measure show more people in poverty than the 37 million officially poor. I recognize that this statement contradicts some of the data cited in the introductory statement by Representative Weller, and I am happy to revisit that.

These improved methods, as implemented by the Census Bureau, should be adopted to replace the current official measure. The fact that the current measure is adjusted only for price changes and not

for income growth in tandem with rising inequality has led to large and growing gaps between the officially poor and the rest of society. Even while today's poor have some goods that were out of reach of the poor in decades past, in relative terms, today's poor are increasingly left behind in the mainstream.

Efforts to gauge the true cost of meeting an accurate basic living standard in today's economy yield income thresholds that are about twice that of the official poverty lines. Relative to prior years, a significantly larger share of poor children are living in families with working parents. The income constraints faced by these working parents underscore the need for an improved system of work supports, including subsidies for wages, health care, child care, housing, and transportation.

Getting a little deeper into a critique of the official measure, these measures were developed in the mid-1960s based on data from the mid-1950s. Since they have been adjusted largely just for price changes but not for improvements in general living standards, they are ever less representative of relative deprivation. In fact, back in 1960, the official poverty threshold for a family of four was about half the median income for a four-person family. Today, at about 20,000 for a family of four with two children, it is 30 percent of the four-person median and for half of the 30 percent of the median for a four-person family.

Economist Adam Smith has recognized that, even if the poor are able to meet their fundamental needs for food and shelter in such a way as to sustain their lives, they can, by dint of the economic and the social distance between themselves and the rest of us, still experience deprivation that is harmful to society, but to this day, poverty analysts overlook this point, citing material gains made by the poor of today relative to those of the past.

Two such analysts writing in 1999 noted that, by the standards 1971, many of today's core families might be considered members of the middle class. Another poverty analyst noted "Poor people's physical and material well-being is now considerably better than it was in the late '60s. How else to explain why so many poor people now have color TVs, air conditioning in their own homes?"

These comparisons are misleading. They implicitly freeze the well-being of the poor at a point in time, ignoring progress in technology, consumption, relative prices, and opportunities. In short, to ignore the relative economic distance between the poor and everyone else is to ensure that they will remain outside the mainstream. Yes, they will not starve. Many will be housed, and a large majority will watch TV in color, but they will still be separate and unequal relative to the majority.

Just in the interest of time, I am going to finish up here. Most poor families have at least one worker. With welfare reform, income from work has become much more important to poor and near poor families. Many more children live in working poor families, and yet, even in the best of times, gaps are going to exist between what these working poor families can earn in the low-wage labor market and what they need to meet their basic needs as I have discussed. This implies an important role for work supports. I would be happy to say more about that in Q&A if it would be useful.

Chairman MCDERMOTT. If we have time.

[The prepared statement of Dr. Bernstein follows:]

Statement of Jared Bernstein, Ph.D., Director of the Living Standards Program, Economic Policy Institute

Chairman McDermott and members of this Subcommittee, I thank you for the opportunity to testify. I sincerely applaud your willingness to examine these issues of great importance to those on this panel and to our most economically vulnerable families.

It is a symbol of a just society that we engage in an accurate assessment of the extent of material need among our population. Such an assessment serves multiple purposes.

First, we want a measurement tool that will tell us, given what we know about human needs and prevailing living standards, how many people lack the resources to meet those needs. Policy makers may and do have different ideas about what should be done about such deficits, but all would presumably like an accurate count. Note that this framing of the concept introduces both an absolute (meeting basic needs) and a relative dimension (prevailing standards) to the question of poverty measurement.

Second, since it implies underinvestment in the economic well-being of adults and, in particular, children, poverty can cause long-term harm to our economy and society. One recent estimate suggested that child poverty ultimately costs society half-a-trillion dollars in sacrificed productivity and ancillary costs each year (Holzer, 2007).[1] It is thus very much in our national interest to measure poverty's extent as accurately as we can.

Third, we want to be able to assess the anti-poverty effectiveness of market forces and non-market interventions. When policy makers undertake initiatives to reduce the extent of economic deprivation, an accurate accounting of the effectiveness of such interventions is critical. All of us, whether we're members of this panel, taxpayers, voters, or the targets of these programs themselves, have a vested interest in their cost effectiveness. Are they accomplishing their goals? Are they doing so without creating unintended consequences that threaten to offset the gains? Are we getting the best possible "bang for the buck?"

It is widely agreed upon that the current poverty measure fails to meet these criteria, and does so by a long shot. It does not provide an accurate picture of the extent of material deprivation, it does not tell us how far the poor are falling behind relative to the rest of us, and it does not enable us to gauge the effectiveness of our antipoverty initiatives.

As a British analyst who reviewed a quarter-century of our poverty debate summarized, "The United States got itself the worst of all worlds—an increasingly mean measure of poverty that also suggested that U.S. social programs were not making a difference when they were"[2] (Glennerster, 2002).

Key points in this testimony are:

- Our current approach to measuring poverty is far outdated and fails to provide an accurate count of the extent of need in America.
- Newer methods that correct many of the problems with the official measure show more people in poverty than the 37 million officially poor (12.6% of the population), including 13 million children. These methods should be adopted to replace the current, official measure.
- The fact that the current measure is adjusted only for price changes and not for income growth, in tandem with rising income inequality, has led to large and growing gaps between the officially poor and the rest of society. Even while today's poor have some goods that were out of reach of the poor in decades past, in relative terms, today's poor are increasingly left behind the mainstream.
- Efforts to gauge the true cost of meeting an adequate, basic living standard in today's economy yield income thresholds that are about twice that of the official poverty lines.
- Relative to prior years, a significantly larger share of poor children are living in families with working parents. The income constraints faced by these working parents underscore the need for increased work supports, including subsidies for wages, health care, child care, housing, and transportation.

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[1] Henry Holzer, "The Economic Costs of Child Poverty," Testimony before the U.S. House Committee on Ways and Means. U.S. House of Representatives, Washington, D.C. 24 January 2007, Accessed 8 Feb 2007, .

[2] Howard Glennerster, "United States Poverty Studies and Poverty Measurement: The Past Twenty-Five Years," *Social Science Review*, March 2002.

Critique of the Official Poverty Measure

The shortcomings of our poverty measure have been amply documented and I will only briefly review these critiques (see Bernstein, 2001, for a thorough review).[3]

- The official thresholds were developed in the mid-1960s based on data from the mid-1950s. Since then they have largely been adjusted only for price changes but not for improvements in general living standards.

The original poverty thresholds were derived by poverty analyst Mollie Orshansky, who based the measure on research on food consumption of low-income families in the mid-1950s. Surveys from the mid-1950s also revealed that families spent about a third of their income on food, so she simply tripled the value of the "economy food plan" for a given family size.

Amazingly, with very few changes, and with adjustments for inflation, the Orshansky measure remains the official poverty measure to this day. Food consumption represents a much smaller share of family budgets than was the case 50 years ago (its average share has fallen by about half),[4] while housing, transportation, and health care, for example, comprise larger shares. Simply updating the official thresholds for this change alone would lead poverty thresholds (and poverty rates) to be much higher today.

One problem with the official approach is that as living standards rise for the rest of society, those deemed poor by an absolute threshold adjusted solely for price changes will fall behind the rest of us (this would not be the case with a relative measure, such as 50% of median income). Back in 1960, the official poverty threshold for a family of four was about half the median income for a four-person family. Today, at about $20,000 for a family of four with two children, it's around 30% of the four-person median.

In an era with sharply growing income inequality, it is worth contemplating the importance of this development. Why should we be concerned if our poverty thresholds drift further below the income of the median household?

The answer is that the concept of deprivation is not solely an absolute concept; it is a relative one as well. Economists since Adam Smith have recognized that even if the poor are able to meet their fundamental needs for food and shelter in such a way to sustain their lives, they can, by dint of the economic and social distance between themselves and the rest of us, still experience deprivation that is harmful to society.

As Smith put it, over two hundred years ago:

"By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but what ever the customs of the country renders it indecent for creditable people, even the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably, though they had no linen. But in the present times, through the greater part of Europe, a creditable day-laborer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into, without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England."[5]

To this day, some poverty analysts overlook this point, citing material gains made by today's poor relative to those of the past. Two such analysts, for example, writing in 1999 noted that "By the standards of 1971, many of today's poor families might be considered members of the middle class."[6]

Poverty analyst Doug Besharov notes that ". . . poor people's physical and material well-being is considerably better now than in the late '60s. How else to explain why so many poor now have color TV (93%) and air conditioning (50%), and own their own homes (46%)?"[7]

Such comparisons are misleading. They implicitly freeze the well-being of the poor at a point-in-time, ignoring progress in technology, consumption, relative prices, and opportunities. In short, to ignore the relative economic distance between the poor and everyone else is to ensure that they will remain outside the mainstream. Yes,

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[3] Jared Bernstein, "Let the War on the Poverty Line Commence," *The Foundation for Child Development Working Paper Series,* June 2001.

[4] Bureau of Labor Statistics, "At Issue: Tracking Changes in Consumers' Spending Habits," *Monthly Labor Review,* September 1999.

[5] Adam Smith, 1776, "Wealth of Nations." See, http://www.adamsmith.org/smith/won/won-b5-c2-article-4-ss2.html, for context. John Cassidy provides this quote in his New Yorker article, Relative Deprivation, 4/3/06 (http://www.newyorker.com/printables/fact/060403fa_fact).

[6] W. Michael Cox and Richard Alm, as quoted by Cassidy, ibid.

[7] Doug Besharov, "Poor America," *Wall Street Journal,* 24, March 2006.

they will not starve, many will be housed, and a large majority will watch TV in color. But they will still be separate and unequal relative to the majority.

Interestingly, as Fisher points out (2005), subjective measures—responses from the public as to what it takes to make ends meet—clearly support a relative component to measuring poverty. For each 1% increase in national income, these subjective measures grow by 0.6%-1%.[8] Much as Adam Smith recognized hundreds of years ago, when thinking about what constitutes a fair poverty threshold, we instinctively add a strong relative component. Implicitly, we want to prevent a growing gap between ourselves and the least well off among us. Our official poverty measure, however, allows this gap to grow.

- The official measure ignores the value of some publicly-provided benefits that should be counted as income to their recipients.

As measured by the Census Bureau, under rules established by the Office of Management and Budget, the official income measure in our poverty accounts is pretax, post-cash transfer. Thus, it includes the cash value of government transfers like welfare payments and Social Security, but omits, for example, the market value of food stamps or tax benefits like the Earned Income Tax Credit.

These are salient omissions. By excluding such resources, we create two problems. First, we underestimate the actual resources accruing to low-income families, and second, we prevent ourselves from observing the anti-poverty impact of these initiatives.

For these reasons, the omission of these benefits is widely agreed to be a significant problem with the current measure. There is, however, some disagreement about how to value of economic resources. For example, some analysts argue that we should also consider wealth and service flows from investments, such of the value of housing consumed by homeowners. Another controversial area, one of some magnitude, is whether to include the value of publicly provided health care, and if so, how to calculate it.

- The official thresholds fail to account for necessary expenses associated with work and medical care.

The National Academy of Sciences (NAS), in their work seminal work on how we might improve our poverty measure, concluded that it made sense to subtract from income costs associated with work, largely child care and transportation. This adjustment is particularly germane in an era when anti-poverty policy is predicated on work in the paid labor market. Imagine, for example, a single parent who works full time, with earnings that lift her family above the poverty line. Yet, once we net out her child-care expenditures, she falls below that line. Such an example shows that the costs associated with climbing out of poverty can make the climb that much steeper. Similarly, if her out-of-pocket medical expenditures pushed her back below poverty, we would want to account for that spending as well, subtracting it from income before comparing her income to the poverty threshold (this too was a NAS recommendation).

- The official measure makes no adjustments for geographical variation in the cost of living.

Though prices differ considerably by region, the official poverty measure makes no adjustments for the fact that the same level of income has greater buying power in one area of the country relative to another. Part of this omission stems from the lack of official inter-area price deflators, though exciting progress is being made in this area (see Aten, 2006). Aten finds, for example, that prices in New York City in 2003 were about the same as those in San Diego, but about 50% higher than those in St. Louis.

Political constraints are in play here too. Adjusting for inter-area price differences, areas with relatively lower prices will find their poverty rates decrease compared to current measures, and this could lower anti-poverty benefits received by such areas (and vice-versa, of course, for areas with higher prices), as a range of federal programs allocate their benefits based on formulae that depend on calculating numbers of people in poverty.

There are numerous other concerns of a technical nature regarding the official measure. Poverty analysts have found arguably better equivalence scales—adjustments for the needs of families of different sizes and composition—than those used in the current measure. Also, and this one makes a big difference, many analysts

[8] Gordon M. Fisher, "Relative or Absolute: New Light on the Behavior of Poverty Lines Over Time," *Newsletter of the Government Statistics Section and the Social Statistics Section of the American Statistical Association*, Summer 1996: pp. 10–12.

argue that thresholds should be adjusted for prices using a different version of the consumer price index than the CPI–U, the current deflator used by Census. The alternative deflator most often referenced in these discussion is the CPI–RS, which incorporates in an historically consistent manner (back to 1978) all of the advances made by BLS in measuring inflation.

In sum, I can firmly assert that a consensus exists among social scientists regarding the inadequacy of the current measure. To the extent we depend on it, we unnecessarily limit our knowledge of the magnitude and composition of the poor population, the impact of our programs, and our ability to reach those truly in need.

An Improved Measure

An improved measure would correct these shortcomings. What's needed is a set of thresholds and an income measure that designates as poor those families whose members cannot adequately meet their basic needs, given what we know about human needs and prevailing living standards.

It is critical in this measurement endeavor to avoid a piecemeal approach: our new measure must deal as comprehensively as possible with both a complete accounting of available resources on the income side, as well as expenses on the threshold side. Some analysts, for example, add near-cash benefits like food stamps, or tax benefits, like the EITC, to income, and show how this reduces poverty. This may be analytically useful way to isolate the impact of a particular program, but it is not an improved measure of poverty. Adjustments to the income side of the equation must be matched by adjustments to the thresholds.

What would such a measure show? Since any poverty measure invariably involves normative decisions, there are lots of different measures. However, it is again widely agreed upon that the NAS recommendations deal successfully with many of the concerns raised above. We also benefit from the fact that poverty analysts at the Census Bureau have operationalized the NAS recommendations, creating numerous variants based on the NAS suggestions.[9]

The NAS measures have these advantages over the official measure:

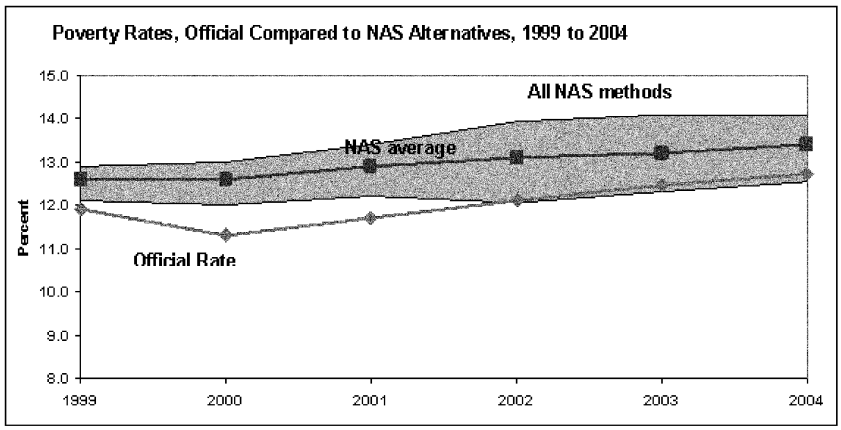
- The NAS thresholds are based on actual expenditures on food, clothing, and shelter and thus reflect increases in living standards (though not to the extent of family budgets, as discussed below).
- The NAS income measure is after-tax, and thus reflects the poverty reduction effects of tax credits.
- They include non-cash benefits in income (though they do not include the value of publicly provided health care).
- They deduct some work expenses, like child care expenditures for working families, from income and subtract out-of-pocket medical expenses, including premium payments.
- They factor in regional differences in cost-of-living.

As noted, there are many variants to these measures, and the Census Bureau has generated a consistent time series back to 1999 of 12 different NAS-based approaches. For example, some measures account for geographical differences while others do not.

A fundamental question for this committee to consider is, relative to the official measure, do these improved measures generate lower or higher poverty rates? The answer, shown in Figure 1, is clear: the NAS measures are uniformly higher than the official measure.[10] The Figure shows the range of the 12 measures, which is almost always above the official. On average over the period covered by the graph, the NAS rates are about one percentage point above the official rate, implying about 2.5 million more persons on the poverty rolls.

[9] Some of this material was in Mishel, Bernstein, and Allegretto, 2006. For a good discussion of the ongoing work at Census and BLS on these issues, see.

[10] This figure also appears in Bernstein and Sherman, 2006.



These measures also tend to change the composition of who is poor.[11] Under the NAS because work expenses are subtracted from income, working poverty rises, especially among single parents facing child care costs. A similar treatment of out-of-pocket medical spending leads to higher poverty rates among the elderly. Because more transfers are counted as family resources, African-American poverty rates are lower under the NAS measures, though still much higher than those of whites.

A Relative Measure

The NAS measure is a vast improvement in all the ways noted above, but it too is limited in the extent to which it captures relative differences between the poor and the rest of society. Another way to measure poverty—one with great intuitive appeal—tracks the poor while accounting for changes in prevailing income levels among the non-poor. Such measures are called "relative," in that they set the poverty threshold as a percent of the median income, which moves each year, typically rising in nominal terms. (The NAS measure has a relative component, as the thresholds are keyed to changes in median consumption expenditures).

The utility of this measure—and note that it is the norm in international comparisons—is that it shows how the poor or faring relative to middle income families, and thus speaks directly to the concept of "relative deprivation."

The 1990s are a good example of the importance of this approach to poverty measurement. The tight job market, in tandem with a large expansion of the Earned Income Tax Credit, helped lead to significant reductions in a comprehensive poverty measure (i.e., one that includes such transfers as the EITC). But because median family income also grew quickly over this period, much less relative than absolute progress was achieved.

Table 1 compares relative poverty to absolute poverty, using adjusted income measures much like those recommended by the NAS (the absolute poverty measure here is from unpublished tabulations provided by Wendell Primus). Absolute poverty fell fairly steeply in the 1990s, from 15.5% to 10% by this measure. But relative poverty fell only slightly, from 18.4% to 17.7%.

[11] To compare the composition shift, rates must be standardized, as in this table.

Relative and Absolute Poverty Measures, 1989–2004

	Relative (50% of Median)	*Absolute (NAS Style)*	*Difference Rel-Abs*
1989	18.4%	15.5%	2.9%
2000	17.7%	10.0%	7.7%
2004	18.5%	12.5%	6.0%
Changes			
1989–2000	-0.7%	-5.5%	
2000–04	0.8%	2.5%	

Souce: State of Working America, 2006/07, Figure 6G. Absolute measure is unpublished, provided by Wendell Primus. Relative measure by author.

The table shows that the poor made a great deal of ground in absolute terms: over the 1990s, as low-incomes rose in real terms, more families made it over the threshold. But the relative measure shows that low incomes grew at about the same rate as middle incomes, so the share of poor below half the median changed little over these years.

In other words, the relative measure tracks social/economic distance between the poor and the middle-class in a way that absolute measures do not. As such, they quite directly reveal the impact of changes in inequality on poverty. The share of the population that is poor in relative terms has hovered around 18% since the mid-1980s, showing that by this benchmark, many more persons are poor in relative terms—their income is less than half the median—than in absolute terms. The fact that such a significant share of our population remains relatively distant from the mainstream is an important dimension of the poverty problem.

Family Budgets

Though the official Orshansky poverty measure has gotten by far the most attention in this debate, budget analysts have a long history of measuring the amount of income needed to meet a basic standard. This work, under the rubric of family budgets, has generally been underutilized in the poverty debate, yet there is much we can learn from it about the income constraints facing American families today.

In this work, economists (along with nutritionists, health care experts, etc.) have set out to tally the amount of income needed to meet a basic living standard, one where a generally accepted set of material needs is met. As Johnson et al noted, "most budget standards have been calculated by building up a budget that would provide families with a modest, fair, or sufficient income."[12] In our own work on basic needs budgets for working families, these needs included decent housing, an adequate diet, child care (when no parental caretaker is available), health care, transportation, and the money needed to pay taxes.[13]

Obviously, criteria like "modest," "fair," and even "sufficient," are normative judgments, although, as noted above, family budgets are often based on expert opinion, such as when nutritionists recommend an adequate diet. But the committee should recognize that there is simply no "right" way to measure such concepts, including poverty. When we engage in this exercise, we balance a variety of needs, sensibilities, and political, if not existential considerations. We recognize that there is a distribution of well-being, and that it would be unreflective of realistic outcomes in a market economy to designate, say, everyone below the 80th, or even the 50th percentile of the income scale as "poor." Yet, it would be unjust in an affluent, highly productive economy to label *only* those facing the most severe material deprivation as poor.

Family budgets attempt to balance these extremes by recognizing that families who are unable to meet basic needs—and again, as Adam Smith pointed out, needs that derive in part from societal standards—face a material disadvantage that government should recognize and address. In fact, such budgets continue to be used by the Department of Labor to set eligibility criteria for job training programs (Johnson et al, 2001).

[12] David S. Johnson et al, "A Century of Family Budgets in the United States," *Monthly Labor Review*, May 2001.

[13] Bernstein et al, 1999.

It is instructive that these budgets are well above poverty thresholds, usually in the range of two-times their value. For example, Johnson et al report a family budget for a married couple with two children of $36,550 in 1998; Allegretto (2005) reports a family budget for the same family type of just under $40,000 for 2004.[14] In both cases, these budget levels are about twice the official poverty threshold for that family type. In fact, Allegretto's work shows that while about 9% of the family types she examines are officially poor, about 30% are below the family budget thresholds.

Does this finding imply that 30% are poor, or materially deprived in the sense that has been discussed in this testimony? No, for a number of reasons. First, the family budget standard is higher than the poverty standard. For example, some of the family budget assumptions would likely be considered too generous for the poverty debate. Much of this work uses HUD Fair Market Rents for housing costs, and these typically give the 40th percentile rent for currently available rentals. Child care costs are often based on qualified center-based care; health care includes some measure of non-group premium costs.[15] The distinction between these two standards—poverty and family budgets—recalls the views of poverty measurement pioneer Mollie Orshansky, who viewed her original poverty thresholds as a measure of income inadequacy, not of income adequacy.[16] Family budgets are closer to the latter.

Second, this research tends to deal only with the threshold side of the question, and not with the resource side. As such, it lacks the holistic quality of the NAS work.

But it does provide a common sense benchmark that has had some considerable impact on the poverty analysis community. The logic of the family budget work is straightforward and commonsensical: if we take an objective look at what things cost, it takes an income well above the poverty threshold to make ends meet. This, and the fact that family budgets often correspond to roughly twice poverty have led many analysts to use twice-poverty as a benchmark.

Moreover, there are important public programs that recognize this, including SCHIP, the public health insurance program for children. The vast majority of children living in families with incomes below twice poverty are eligible for the program. A moment's reflection suggests that this is a stark repudiation of the official poverty threshold. Our government itself, to our credit, obviously recognizes the inadequacy of the official measure as a criterion for setting eligibility for families in need.

Working Poverty

In moving towards a more accurate approach to measuring poverty, the committee also needs to consider the increasingly important role of work among the poor and near poor. Though the share of the poor in the job market has not changed much over time, its composition has changed a great deal, with many more parents, especially single parents at work. It is also the case that low-income persons (family income below twice poverty) are working more hours than in the past, and, most importantly, a much larger share of their income derives from the labor market, including wage subsidies. Because more low-income parents (especially mothers) are working now than in the past, the share of children in working but poor families has climbed significantly.

Most poor families have at least one worker: 61% of poor families had at least one worker in 2005 (4.6 million families); 71% of twice-poor families have at least one worker (14.4 million).[17] Figure 2 shows that income from work (earnings plus the EITC) for low-income single mothers with at least two children rose from 45% of income in 1979 to 72% in 2000 (comparison made at business cycle peaks; Mishel et al, 2006, Table 6.11). This increase is a function of the steep growth in both the share of single mothers at work in the paid labor market, and in their annual hours worked.

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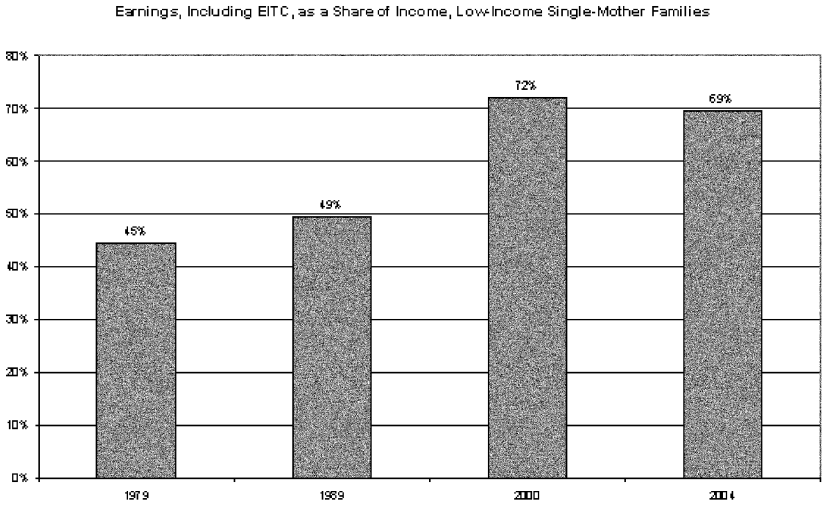
[14] Sylvia Allegretto, "Basic Family Budgets: Working families' incomes often fail to meet living expenses around the U.S.," *EPI Briefing Paper*, 1 Sept. 2005. Accessed 8 Feb 2007.

[15] Ibid.

[16] Fisher, Gordon M. "The Development and History of the U.S. Poverty Thresholds: A Brief Overview." *Newsletter of the Government Statistics Section and the Social Statistics Section of the American Statistical Association*. Winter 1997: pp. 6–7. Accessed 8 Feb 2007.

[17] Please refer to BLS tables, "Families by Number of Working Family Members and Family Structure: 2005."

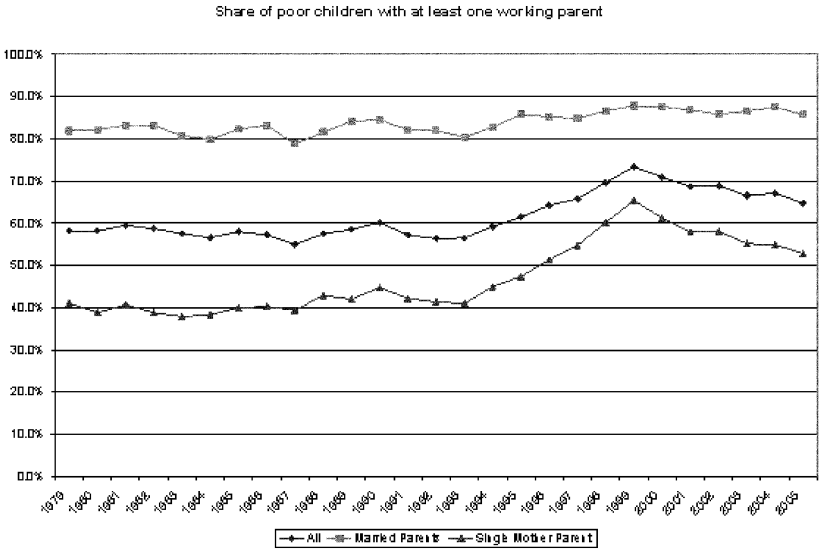


Note: Source, Mishel et al, 2006. Sample is single mother families with two children and with incomes below twice poverty.

As noted, these trends have meant that more low-income children have working parents. This is evident in Figure 3 which shows the percent of poor children in families with a working parent, 1979–2005.[18] This share shot up in the 1990s, particularly among poor families with a single mother. Between the economic peaks of 1989 and 2000, the share of poor children in homes with a working parent increased from 59 to 71 percent; for kids of single moms, the increase was from 42 to 61 percent, i.e., from a minority to a solid majority.

Note also the steady decline in the 2000s, driven again by employment trends of single mothers (married mothers' employment rates also fell over this period). The long jobless recovery and the weaker labor demand over the current recovery has been particularly damaging to these economically vulnerable families. As their labor market opportunities have diminished, their family poverty rates have gone up 3.2 points, 2000–05, compared to 1.2 points for the overall family poverty rate. The problem for them relates closely to the observation that earnings, and benefits tied to earnings, have become much more important to the economic well-being of single-mother families.

[18] Though this is my analysis of CPS data, the figure is based on work done by the Congressional Research Service.



In sum, recent experience has shown that these low-income working families depend on two forces to ensure that their living standards are rising. First, relative to more economically secure populations, they depend on tight labor markets and strong labor demand, compelling employers to provide the jobs and wage advancement they need.

The second point links back to the measurement themes explored in this testimony. Even in the best of times, gaps will exist between what any working poor families can earn in the low-wage labor market and what they need to meet their basic needs, as discussed above. This implies an important role for work supports.

Work supports are any publicly-provided resource that either boosts the earnings of low-income workers (like the EITC), or helps offset the cost of a family budget component, including subsidies for health care, child care, housing, and transportation. These supports play an important role in helping to close the needs gap, but their provision is not always guaranteed, and in the face of budget constraints, many states have cut back. At the federal level, the most recent budget offered by the president includes significant cuts in access to SCHIP—the health coverage program for low-income children and an important work support for low-income workers whose jobs often fail to provide family coverage.

Given evidence provided in this testimony regarding the extent of low-income work, and the material needs of these families, strengthening the nation's system of work supports would be a highly useful anti-poverty strategy.

Conclusion

Ours is a nation with one of the strongest, most productive economies in the world. Yet considerable poverty exists amid the plenty. By the official measure, one that most consider inadequate to the task of accurately measure material need, 12.6% of our population, 37 million persons, are poor. As I have argued, a more accurate measure would show a greater share of persons in need. While one should not be dismissive of the political constraints pushing back against changing the official measure, its time has passed, and I urge the committee to begin taking steps to replace it with a better alternative.

As I have shown, such alternatives have been developed by a team of researchers at both the Census Bureau and BLS, implementing the seminal work of the National Academy of Sciences. The advances in poverty measurement made by these analysts have the potential to vastly improve our knowledge and understanding of who is poor.

Of course, measurement is a means to an end, and this committee has shown great interest is taking steps to address poverty amid plenty. Given the sharp rise in the number of children in working poor families, I have stressed the importance of ensuring that these families have enough to not simply pass the poverty thresh-

old, but to meet their basic needs, as shown in the family budget literature. To this end, work supports, including wage subsidies along with subsidies for other basic needs such as housing, health and child care, and transportation, have proved vital in closing the gap between what low-income workers earn and what they need.

I urge the committee to examine and strengthen this system. I urge members to fight back when components of the system are attacked, as with the inadequate funding of SCHIP in the president's most recent budget proposal, a change that could lead to lost health care coverage for over 600,000 children.[19]

By updating our measurement tools and strengthening our system of supports for working but poor families, we can make important progress toward reconnecting the economic lives of the most vulnerable among us to that of the mainstream, a laudable goal indeed.

The author thanks Ross Eisenbrey, Danielle Gao, Mark Greenberg, and James Lin for helpful comments and research support (Lin). Any mistakes are my own.

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Chairman MCDERMOTT. I want to thank all of the panel. We will have time for one question apiece. Mr. Weller.

Mr. WELLER. Well, thank you, Mr. Chairman.

There is one question that I am going to ask be submitted for the record. Mr. Smeeding's testimony presented by Mr. Burtless calls for about $120 billion in additional welfare spending, and I would be interested in knowing the specifics in that and, of course, under the PAYGO rules, where we would get that? So, I will ask for that in writing.

[The information follows:]

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[19] Deborah Weinstein, "What's in the President's Budget for Human Needs?" Coalition on Human Needs, 8 Feb 2007. Accessed 8 Feb 2007.

February 28, 2007

The Hon. Jerry Weller, Ranking Member
Subcommittee on Income Security and Family Support
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Representative Weller:

I am writing in response to the questions you sent me on February 23, 2007. Those questions were related to the testimony I gave in behalf of Professor Timothy Smeeding on February 13, 2007, to the Subcommittee on Income Security and Family Support.

You asked specific questions regarding the policies adopted by the United Kingdom (U.K.) to reduce child poverty. Unfortunately, I am not an expert on British antipoverty policy. Professor Smeeding recommended two sources of information about those policies in the prepared testimony I delivered for him on February 13. One source, written by Jane Waldfogel and others, is "Family Expenditures Post Welfare Reform in the UK: Are Low Income Families Starting to Catch Up?" which appeared in Labour Economics in 2006. Another is by M. Francesconi and W. van der Klaauw, "The Socio-Economic Consequences of 'In-Work' Benefit Reform for British Lone Mothers," which appeared (or will appear) in the *Journal of Human Resources* in 2007. I think these two articles describe British policies more accurately than I am able to do.

You also asked about the cost of adopting the U.K. policies here in the United States. Professor Smeeding estimated that the U.K. policies increased British spending by 0.9 percent of the U.K. gross domestic product. An equivalent change in public spending in the United States would amount to about $120 billion per year according to his estimates. This is more than the United States now spends on means tested cash and near-cash assistance programs that are targeted on families with children (the EITC, food stamps, child-care support, and TANF). I do not interpret Professor Smeeding to mean that the United States ought immediately to expand cash welfare programs by $120 billion a year. Instead, I think he was trying to give Members and other interested readers an impression of the scope and expense of the U.K. effort to reduce its child poverty rate. If the United States were to undertake a similarly ambitious program to reduce poverty among American youngsters and hoped to achieve an equally impressive result as has been achieved by the U.K., we should not be surprised if the price tag is high.

Speaking for myself, I believe the United States could achieve noticeable reductions in child poverty by offering more generous earned income supplements to the working poor than are now provided by the EITC. In particular, I think it would be desirable to offer a more generous schedule of EITC benefits to low-income parents who can demonstrate they are working steadily in full-time jobs (jobs where the work schedule is 32 hours a week or longer). This kind of reform has the potential to increase the earned plus unearned incomes of low-wage parents while simultaneously encouraging many of them to find and remain employed in full-time jobs.

There is no such thing as a free lunch. More public spending for child poverty requires either higher taxes or lower spending on other public programs. Like many voters, I have a favorite list of government programs where I think less spending is both possible and desirable. In this brief letter it seems impractical, however, to offer a persuasive justification for the items on that list.

I hope you find these answers responsive.

Very sincerely,

Gary Burtless
John C. and Nancy D. Whitehead Chair
Economic Studies

Mr. Rector, several of Mr. Smeeding's charts suggest the relative poverty in the United States today mostly resembles that in Mexico, and I was wondering: Can you tell us how he arrives at that conclusion and then also compare U.S. spending on assistance of the poor with other countries?

Mr. RECTOR. Yes. That is the problem with the relative poverty measure, okay, that, in fact, you can produce these charts that show that Mexico and the United States have effectively the same

poverty rate when, in fact, the standard of living in the United States is five times higher, and so the bar for poverty in the United States is five times higher.

In fact, poor people in the United States have upper middle class living standards by comparison to Mexico, and it is because what you are measuring there is inequality. You are not measuring poverty, and in his better days, Tim Smeeding actually acknowledges, well, there is a difference between poverty and inequality. They are not the same thing, but the relative poverty measure is simply measuring inequality. What is the standing of the bottom 10 percent compared to, say, the median household? In all of those comparisons, the United States is at a disadvantage because we are wealthier than European nations and certainly wealthier than Mexico. Therefore, the poverty standard in the United States is higher than it is in those other standards. Therefore, we have, by that measure, more poverty even though many of the poor people, according to that standard, will have higher incomes than, say, somebody in France who is judged not poor, okay?

Now, you could say, even when you look at an absolute measure and judge everybody by the same standard, the United States still, in many cases, does not look that good or it looks worse than other European countries, but the difference is very small, and I would be happy to submit to the Committee standards that use an absolute measure that, in fact, show the United States has lower poverty overall when compared, say, to Sweden depending on how you do the measure once you put an equal bar, but the reality is that Sweden has an income that is about one-third lower than ours.

Therefore, when you use a relative poverty measure, they essentially have an easier bar to pass. I think it does not tell you very much, and it certainly does not tell you about poverty. It does not tell you about physical deprivation. If you want to call this "inequality," call it "inequality." That is an accurate description of it. It is not a description of poverty.

Mr. WELLER. Thank you, Mr. Chairman. I know time is short, and I will submit some additional questions in writing. Thank you.

Chairman MCDERMOTT. Thank you.

I just want to ask—I am frustrated because I have got a good panel here, and I would like to have them fight and figure out what we are really talking about here.

Is it that we need to call it "inequality," and then we can say inequality is okay or bad or good or is there really poverty, and how do you two answer—Mr. Rector says there is not any poverty in this country except a very small number of people way down at the bottom.

What is the answer to that?

Dr. BERNSTEIN. If I could make, as quick as I can, a couple of statements.

First of all, I very strongly disagree, and I think most economists would disagree with the statement that poverty should only be measured on an absolute basis, dismissing an inequality sense. This is a quote from Adam Smith, I think a pretty good economist to quote in this context.

"By necessities, I understand not only the commodities which are indispensably necessary for the support of life, but whatever the

customs of the country renders it indecent for credible people, even the lowest order, to be without."

It is the way they talked back then, but the point is that there has to be a relative standard that is embedded in the poverty measure so that we are also taking into account the material needs that are common, that are very much a part of the prevailing set of standards.

Now, also getting to Mr. Rector's point about—I can show you absolute measures that give you different results, the National Academy of Sciences and the Census Bureau, as I mentioned, are doing a really top-notch job of implementing these recommendations. They spend years figuring out the best way to improve our poverty measures, taking into account everything you have heard about on this panel today, and as I submitted in my written testimony, when you look at their measures—and they have got twelve of them—and you take an average, you will find that poverty is about 1 point to 2 points higher than the official measure. So, you can always cherry-pick and find a measure that shows you what you want, but this is a group of academics with no skin in the game, on either side of this debate in an ideological sense, coming forth with the best definitions that include both absolute and relative components.

Ms. BLACKWELL. We should be fighting about the solutions, not about whether or not the problem exists. The first panel was really illustrative of what we see all across the country. We know that people lack the resources to be able to provide for their families in ways that I think we, as a people, think it means that they can live with dignity. Clearly, we have a poverty problem in America. We all saw how vulnerable people were when Hurricane Katrina hit New Orleans. We saw people who were poor, who were jobless, who were sick, who were isolated, who were at an extreme disadvantage.

We actually have within our power the ability to do something—and Representative Weller made that very clear. We know what to do. We are not doing it. First, we need to make the investments that begin to pull people out of poverty, and then we need to make the investments that allow them to be able to thrive.

Mr. BURTLESS. I think that Mr. Rector is right. If we had agreed on a "poverty" definition back in Abraham Lincoln's Administration, the United States' poverty thresholds would be very low. Poverty would be largely eliminated under a definition that we adopted in 1863. The standards that we currently have were developed based on U.S. consumption patterns in the fifties. Forty-five years has elapsed since then. If you ask Americans how they define "poverty," they might have in mind poverty in Mexico or poverty in India, but you ask them "how much does it take to get by in this country right now," the amount they mention has gone up, more or less, in line with the rate of increase in median income. Obviously, they usually mention a lower threshold than the median income in the country.

So, most Americans do not have the attitude that if we beat poverty under a definition that would have been adopted in 1860 or 1900 or 1950, we have licked the poverty problem.

Chairman MCDERMOTT. So, is it fair to say, in summation, that you think Mr. Rector is saying we have licked poverty by a

standard that was set in 1955 or 1960 somewhere and that that standard really is the problem, if we looked at a present day standard that made sense with today's economy, that then we have poverty? Is it?

Mr. BURTLESS. I think the tip-off is saying, "How rich America's poor people would look in Mexico!" Mexico is a country with one-fifth the income of the United States. I do not think we would be proud to hear we have conquered poverty under a definition that would be adopted in Mexico, China, or India. That achievement would not represent a solution to America's poverty problem.

Chairman MCDERMOTT. I am sorry. I have to bring this to an end because there is a Committee coming in here to talk about the earned income tax credit, which is part of this package.

I want to thank you all very much for not only coming but staying until Mr. Weller and I could get back. You have made a real contribution to us, and we thank you for that. We will be in touch with you again. Thank you.

[Whereupon, at 12:58 p.m., the hearing was adjourned.]

[Submissions for the Record follow:]

Statement of Americans For Fair Taxation, Conyers, Georgia

Poverty levels have for the longest time been measured in terms of relative income, and not on accumulated wealth.This method of measuring becomes flawed when millionaires or those who have achieved their economic goals, drop from the income making scene.According to the poverty equation, individuals like Ted Turner, Bill Gates and others, would be officially lumped into the "poverty level."

For this reason, income-earning Americans on the way up to meeting their financial goals, are labeled as "greedy," or "filthy rich" monikers, while those with even greater means, are not.This has a negative effect on economic growth in the creation of jobs spurred on by the profits of high income earners. Overburdening this group has a negative impacton the economy and exacerbates the growth of outsourcing and the removal of jobs to the very people who most need them.

The root culprit for the current and growing situation is our federal income tax system.It places undo burden on those that can help raise other individuals out of the poverty level, and at the same time, rewards those who have accumulated enough wealth to game the system.True tax reform such as H.R. 25, The Fair Tax, puts in place the very stimulus our economy and poverty level individuals need while placing the greater burden on those that can afford the tax.Removing our income tax system grows our economy by bringing manufacturing and other high paying jobs back on U.S. soil, and creates the income earnings potential to a far greater range of skill sets which puts many outsourced employees back to work.The problem of the rich getting richer while the poor get poorer is reversed, and a brighter economic future can be enjoyed by millions more American than our current course takes us.

Statement of Child Welfare League of America

The Child Welfare League of America (CWLA), representing public and private nonprofit, child-serving member agencies across the country, is pleased to submit testimony to the Subcommittee on Income Security and Family Support. We are pleased to submit our comments to the Subcommittee as we did with the full Ways and Means Committee last month. We recommend that statement for a more detailed analysis of the correlation between poverty and its significance to the child welfare system.

This is an issue that requires more attention because there are far too many children and families struggling each and every day. As the wealthiest nation on earth we cannot be satisfied when we count 13 million children below the official poverty line. We should be even less satisfied when we calculate the human cost behind these numbers. The attention of this subcommittee following on the hearings of several other congressional committees including the full Ways and Means Committee and the attention to this matter by Chairman McDermott is greatly appreciated and

needed. We look forward to working with you on this and related issues in the coming months.

Parents and other caregivers require certain economic resources to provide their children with proper nutrition, adequate housing, and sufficient health care. Although economic resources provide no guarantee of a child's healthy development or well-being, poverty is correlated with a wide range of negative outcomes that begin in childhood and can forever impact a child's future.[1] Children raised in poverty are likely to experience more risks and have fewer protective factors and resources than children living above the poverty threshold.[2]

It Is Not A Values Deficit

On January 26, 2006 the ABC Network focused some needed attention on the subject of poverty in our country. Through the broadcast of ABC's 20/20 and later on ABC's Nightline, the nation was presented not with statistics or arguments but human faces on poverty. It was made all the more compelling because it focused on children. By tracing the lives of one young person and two children we saw the impact of poverty on some of the families of Camden, New Jersey. There was one observation during that broadcast that we would commend to this subcommittee and indeed to all policy makers. It was a comment by Dalton Conley, a sociologist who was interviewed for the broadcast. His observation is of special significance and that sums up this problem in a phrase: "There is a common perception that the problem with the poor folks in the United States is a problem with values. It's not a values deficit at all; it's really a resource deficit."

Some will want to ask why these poor families haven't made different choices in their lives that would presumably remove or keep them out of poverty. The response is as basic as this; children don't make choices, rather they are presented with their circumstances at birth.

Many children raised in poverty begin their lives at a disadvantage because of inadequate prenatal care, poor maternal nutrition, or birth complications. They often also face a wide array of familial and other environmental obstacles, including low levels of parental education, increased levels of familial stress, poor social support, and limited community assistance. They may face the burden of unstable housing or homelessness. They may be growing up in a violent neighborhood. They may live in circumstances where pre-school and child care are not an option.

Compared with other children, children living in poverty are more likely to experience difficulty in school and have a higher high school drop-out rate. Poverty during early childhood may be more damaging than poverty experienced later in life because much of the foundation for learning is built in the early years. Poor children score lower on measures of vocabulary, language skills, understanding of number concepts, organization, and self-regulation. In addition, children living in poverty are more likely to become teen parents, and, as adults, earn less and be unemployed more frequently.[3]

CWLA believes that as a country we must confirm our commitment to prevent child abuse and neglect and to support children who have been abused and neglected. A fundamental building block to reaching this goal is to tackle poverty head-on.

POVERTY AS A NATIONAL ISSUE

In August 2005, for a brief moment, the nation's attention was focused squarely on the issue of poverty in America. Everyone's eyes were glued to their television screens as the levees broke in New Orleans, Louisiana, and significant tragedy unfolded. Images of individuals and families trapped by floodwaters and testimony of those mourning the loss of loved ones, homes, and personal belongings destroyed any ideas of poverty as merely an illusion. This attention was unfortunately fleeting, however, and the commitments that had been made to address the poverty issue quickly faded.

In fact, if you were living in Washington, DC, on that August 2005 day, you might have attended a forum hosted by the prestigious Brookings Institute that included a panel discussion interpreting the meaning of the new census data on poverty. As has been the case in other discussions and in other forums over the last several years, much of that discussion focused on how we measure poverty and whether or not it is as severe as some would argue. We will not continue that debate here be-

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[1] Lieberman Research Worldwide. (1999, April). *Assessing public opinion and perceptions regarding child abuse in America: Final report*. Prepared for the Child Welfare League of America, Washington, DC.

[2] Parker, S., Greer, S., & Zuckerman, B. (1988). Double jeopardy: The impact of poverty on early child development. *The Pediatric Clinics of North America, 35* (6), 1227–1240.

[3] Ibid.

cause, in our view, poverty is severe and the United States is not doing enough to combat the issue.

CWLA sees poverty as a serious matter that impacts individuals across the country and shapes the direction we are headed as a nation. Poverty touches on our economic preparedness, the effectiveness of our schools, the health of our nation, and—most significantly to CWLA—the welfare of our nation's children.

In 2005, the national poverty rate stood at 13%.[4] For children under the age of 18, the poverty rate was higher at 18%, which meant that approximately 12.8 million of our nation's children were being raised in poverty.[5] For children under the age of 5, the percentage was even higher at 21%.[6] One out of five children in the critical child developmental period of 0 through 5, then, live in poor conditions that will certainly affect their chances at future success and well-being.

THE POVERTY DEBATE CONTINUES

We continue to have this debate about how serious poverty is in America. In a country where the average wedding costs $27,690, the equivalent of the poverty level for a family of six, we trivialize the debate and the significance of poverty when we measure how many poor families have televisions, video cassette recorders or cell phones. This type of analysis now used in 2007 is not unlike some of the debate in past discussions. In another decade some said that poverty was not real because, they argued, some welfare recipients owned Cadillacs. In reality far too many children will only realize a dream of a quality education, a safe neighborhood or a better income by watching it displayed in the latest situation comedy or reality show broadcast on their television.

We are told how we can do better with the way we spend money and for that there is no doubt. No problem can be solved by merely throwing money at it, a truism that applies not just here with our domestic policies but can also apply when we carry out policies in other countries. But it is equally certain that too much money is not the problem. We hear a great deal about how we spend $600 billion in federal, state and local funds on anti-poverty programs but that figure is misleading since, for example, it takes into account our spending on Medicaid costs, a health insurance program.

In 2005 national Medicaid spending totaled $305 billion. That figure calculates the cost of actual care not the cost of insurance premiums for the millions of people eligible for Medicaid. It counts a doctor's treatment or perhaps the average hospital stay of 4.6 days at an average cost of $20,455. The $305 billion is not spent on an anti-poverty cash assistance program. Rather, 34 percent of it goes toward paying a person's long term care costs in a country that has neither a long term care policy nor an insurance program specifically designed for it. So it includes the average cost of a nursing home stay at $65,700 per year. To simply argue that $600 billion is a great deal of money is to miss out on what our current anti-poverty efforts consist of, not to mention that fact that we continue to fail to address the health care challenge this nation has.

POVERTY AND CHILD ABUSE

According to the CWLA Standards of Excellence for Services for Abused or Neglected Children and Their Families, neglect is defined as "Failure of parents or other caregivers, for reasons not solely due to poverty, to provide the child with needed age-appropriate care, including food, clothing, shelter, protection from harm, supervision appropriate to the child's development, hygiene, education, and medical care."

In 2004, the most recent data available, an estimated 3 million children were reported as abused or neglected and received an assessment or screening to determine whether or not there was evidence of abuse or neglect. Approximately 872,000 children were substantiated as abused or neglected.[7]

Of the 872,000 substantiated cases of abuse or neglect, 62.4% of these children experienced neglect, 17.5% were physically abused, 9.7% were sexually abused, 7% were psychologically maltreated, and 2.1% were medically neglected. Nearly three-

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[4] U.S. Census Bureau, 2005 American Community Survey. (2005). *Data profiles: Selected economic characteristics.* Retrieved January 23, 2007, from http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=01000US&-qr_name=ACS_2005_EST_G00_DP3&-ds_name=&-redoLog=false&-format. Washington, DC: Author.

[5] Ibid.

[6] Ibid.

[7] U.S. Department of Health and Human Services, Administration on Children, Youth, and Families. (2006). *Child maltreatment 2004 (Table 2–1).* Retrieved January 23, 2007, from www.acf.hhs.gov/programs/cb/pubs/cm04/index.htm. Washington, DC: U.S. Government Printing.

quarters (or 72.9%) of child victims age 0 to 3 years were neglected—higher than any other age category.[8]

The U.S. Department of Health and Human Services is now working on the Fourth National Incidence Study (NIS) of Child Abuse and Neglect. The NIS is a congressionally mandated, periodic research effort to assess the incidence of child abuse and neglect in the United States. The NIS gathers information from multiple sources to estimate the number of children who are abused or neglected and to provide information about the nature and severity of the maltreatment, the characteristics of the children, perpetrators, and families, and the extent of changes in the incidence or distribution of child maltreatment since the previous NIS.

In the third study issued in 1996, a significant correlation was found between the incidence of maltreatment and family income. It found that that 47% of children with demonstrable harm from abuse or neglect and 95.9% of endangered children came from families whose income was less than $15,000 per year.[9]

Children from families with annual incomes below $15,000 as compared to children from families with annual incomes above $30,000, were over 22 times more likely to experience some form of maltreatment that fit the study's harm standard and over 25 times more likely to suffer some form of maltreatment as defined by the endangerment standard.[10] Children from families in the lowest income bracket were 18 times more likely to be sexually abused, almost 56 times more likely to be educationally neglected, and over 22 times more likely to be seriously injured from maltreatment than children from higher income families.[11]

The stress created by living in poverty may play a distinct role in child abuse and neglect.[12] Parents who experience prolonged frustration in trying to meet their family's basic needs may be less able to cope with even normal childhood behavior problems. Those parents who lack social support in times of financial hardship may be particularly vulnerable. Parents who are experiencing problems with employment are frequently rated by child protective services staff as being at moderate to high risk of child maltreatment.[13]

POVERTY AND KINSHIP AND FOSTER CARE

These findings suggest that we could help alleviate the flow of children into other parts of the child welfare system by addressing the core issue of poverty. For those children who are in care, the challenges and the issue of poverty are no less significant. As of September 30, 2004, 509,662 children were in foster care in the United States.[14] Foster care, when it is the most appropriate service for a child, should provide a child with protection, care, and nurturance for a temporary period of time while services are provided to the child's parents in order to deal with the problems that led to placement.

When a child cannot remain in his or her own home, it is critical that the child welfare system work to provide that child with permanence. All children deserve to be a part of, or have a connection with, stability and families that are intended to be permanent. Family foster care and foster care services should emphasize safety and the well-being of children; recognize that the family is a fundamental foundation of child rearing; and acknowledge the importance of a comprehensive, child-centered, family-focused, culturally competent approach. To fulfill their vital role, then, public child welfare agencies need to ensure that children in care are protected and cared for and that they receive the services they need. The agency should also ensure that the families of the children in care receive services directed toward early reunification with their child or, as an alternative, another permanency goal.

To meet these goals, it is clear that families must have the needed support to help foster children. According to the National Survey of America's Families (NSAF),

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[8] U.S. Department of Health and Human Services, Administration on Children, Youth, and Families. (2006). *Child maltreatment 2004.* Retrieved January 23, 2007, from www.acf.hhs.gov/programs/cb/pubs/cm04/index.htm. Washington, DC: U.S. Government Printing.

[9] Sedlack, A. J. & Broadhurst, D. D. (1996). *Third national incidence study of child abuse and neglect: Final report.* Washington, DC: U.S. Department of Health and Human Services.

[10] Ibid.

[11] Ibid.

[12] Gil, D. G. (1970). *Violence against children.* Cambridge, MA: Harvard University Press.

[13] English, D. (1994). Risk assessment: What do we know? Findings from three research studies on children reported to child protective services. In Center for Advanced Studies in Child Welfare and the Center for Urban and Regional Affairs, *Children of the shadows—The state of children in neglecting families: Conference proceedings.* Minneapolis, MN: University of Minnesota; National Research Council. (1993). Understanding child abuse and neglect. In G. B. Melton & F. D. Barry, *Protecting children from abuse and neglect: Foundations for a new national strategy* (pp. 132–134). New York: Guilford Press.

[14] Child Welfare League of America. (2006). Special tabulation of the Adoption and Foster Care Analysis Reporting System (AFCARS). Washington, DC: Author.

only 39% of out-of-home care provider families have incomes that place them beyond 200% of the poverty level. Among all families—in-home, foster, and kinship—those involved with the child welfare system are five times more likely to have income at only 50% of the poverty level than families in the general population.[15]

Another significant and growing part of the child welfare system is the use of kinship care and kinship settings. By definition, kinship care is the full-time care, nurturing, and protection of children by relatives, members of their tribes, godparents, stepparents, or any adults who have a kinship bond with a child. This definition is designed to be inclusive and respectful of cultural values and ties of affection. Beyond its formal definition, what kinship care provides is an opportunity for a child to grow to adulthood in a familial environment. For many children, it is also a lifeline to a safe and productive future. It is, therefore, the type of care that we must nurture and promote in every way possible.

Over six million children are living with a relative who serves as their caregiver, with approximately four-and-a-half million of these being grandparents. According to the last census, nearly two-and-a-half million grandparents report that they are primarily responsible for their grandchildren. The same census survey reveals that nearly 20% of these grandparents live in poverty.[16]

When Congress enacted the Adoption and Safe Families Act (ASFA) in 1997, it gave formal recognition to kinship placements as a permanency option even though that same act did not extend federal funding to these placements. The increased urgency that ASFA placed on the goal of permanency also influenced the increased use of kinship placements. These families are a vital support for millions of children and are a key to ensuring the safety and permanency, as well as the nurturing and well-being, of these children.

According to an Urban Institute analysis,[17] the poverty rate for children living in public kinship care or kinship care provided through the child welfare system is 18%. That is the same as the overall child poverty rate for children under 18%. For private kinship care—those kinship families not coming through the public child welfare system—the poverty rate is 31%. When compared to non-kin foster parents, kinship families are much more likely to be low income (defined as 200% of the poverty level or lower), single, and older. In all instances, poverty certainly creates additional burdens and challenges for these families who have opened their homes and are providing a vital service to these children. If we continue to adhere to the goals of the federal Adoption and Safe Families Act and we recognize kinship placements as a permanency option as we should, we must provide accompanying federal financial support.

YOUTH AFTER FOSTER CARE

For too many older children in foster care the exit from the system will come only when they reach the age of 18. More than 22,000 young people leave foster care annually because they age out of the system.[18] Although data is sometimes sparse, we know of common challenges for these young people from several studies. In one national survey, 25% of foster youth reported having been homeless at least one night in the two-and-a-half to four years after exiting foster care.[19] In a national survey, only 54% of former foster youth had completed high school,[20] and in another study, 3 in 10 of the nation's homeless adults reported a foster care history.[21]

FOSTER CARE AND EDUCATION

Children and youth in foster care are also challenged when it comes to education outcomes. Placement in out-of-home care may create issues around mobility and stability in a child's education arrangements. For example, a three-year study of youth aging out of care by Chapin Hall indicated that over one-third of young adults re-

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[15] U.S. Department of Health and Human Services, Administration on Children, Youth, and Families. (2005). CPS sample component wave 1 data analysis report. *National survey of child and adolescent well-being.* Washington, DC: Author.

[16] S. Census Bureau. (2000). *Census 2000 summary file 1: Table P28, relationship by household type for population under 18 Years.* Available from www.factfinder.census.gov. Washington, DC: Author.

[17] Main, R., Macomber, J. E., & Geen, R. (2006). *Trends in service receipt: Children in kinship care gaining ground.* Washington, DC: Urban Institute.

[18] Child Welfare League of America. (2006). Special tabulation of the AFCARS. Washington, DC: Author.

[19] Cook, R. (1991). *A national evaluation of title IV–E foster care independent living programs for youth.* Rockville, MD: Westat Inc.

[20] Ibid.

[21] Roman, N. P. & Wolfe, N. (1995). *Web of failure: The relationship between foster care and homelessness.* Washington, DC: National Alliance to End Homelessness.

ported five or more school changes.[22] Another study of the Chicago school system (also by Chapin Hall) indicated that over two-thirds of children and youth included in the study had switched schools shortly after their initial placement.[23] This kind of instability, along with the challenges of poverty, creates greater barriers to successful education outcomes.

In fact if you watch the ABC 20/20 report you see the genuine impact one of the children featured who attends kindergarten on the first day and walks in without every experiencing pre-school or even basic child care. He is challenged and indeed scared by his surroundings and although he knows his threes he is challenged when asked to name the three times a day when he eats.

That kind of a start on life, that start on education can have a lasting effect and is not a question of choices that adults make but the reality of limited options a child is given.

A 2001 Washington state study is typical of other research in its findings, which showed that youth in foster care attending public schools scored 16 to 20 percentile points below nonfoster youth in statewide standardized tests at grades three, six, and nine.[24] Over one-third of young people in a Midwest Study had received neither a high school diploma nor a GED by age 19, compared to fewer than 10 percent of their same-age peers in a comparable national sample.[25] The Northwest Alumni Study found that of the foster care alumni studied, 42.7 percent completed some education beyond high school, 20.6 percent completed any degree or certificate beyond high school, 16 percent completed a vocational degree and 1.8 percent completed a bachelor's degree. This completion rate for a bachelor's degree compares to 24 percent among the general population of the same age as those surveyed in the study.[26] CWLA believes that these results offer strong evidence that efforts to improve the education outcomes for these children and youth in foster care must be a part of our national strategy to improve education and to reduce poverty.

HEALTH STATUS OF CHILDREN AND PARENTS

Children and parents living in poverty are less likely to have access to adequate health and mental health care. The lack of comprehensive health services for both children and parents increases entry into the child welfare system and makes it more difficult for children in the system to attain long-term health, stability, and permanency.

The first three years of life are crucial to a child's brain development and early mental health status.[27] There are an astounding number of children living in poverty during this critical period. Moreover, the 2005 U.S. Census Survey reported 11.2% of children as uninsured, despite widespread eligibility for Medicaid or SCHIP.[28] Lack of health insurance or limited health insurance coverage contributes needlessly to an increasing number of children in the child welfare system with an unmet health need as well as placement of children in the child welfare system solely to obtain essential mental health services.[29] Increased access to health and mental health care improves a child's chance for permanency.[30]

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[22] Courtney, M. E., Terao, S., & Bost, N. (2004). *Midwest evaluation of the adult functioning of former foster youth: Conditions of youth preparing to leave state care*. Chicago: Chapin Hall Center for Children at the University of Chicago.

[23] Smithgall, C., Gladden, R. M., Howard, E., Goerge, R., & Courtney, M. (2004). *Educational experiences of children in out-of-home care.* Chicago: Chapin Hall Center for Children at the University of Chicago.

[24] Burley, M., & Halpern, M. (2001). *Educational attainment of foster youth: Achievement and graduation outcomes for children in state care.* Olympia, WA: Washington State Institute for Public Policy.

[25] Courtney, M.E., Dworsky, A., Ruth, G., Keller, T., Havlicek, J., & Bost, N. (2005). *Evaluation of the adult functioning of former foster youth: Outcomes at age 19*. Chicago, IL: Chapin Hall Center for Children at the University of Chicago.

[26] Pecora, P. Kessler, R., Williams, J., O'Brien, K., Downs C., English, D., White, J., Hiripi, E., White, C.R., Wiggins, T., & Holmes, K. (2005). Improving Family Foster Care: Findings from the Northwest Foster Care Alumni Study Alumni Study. Seattle, WA: Casey Family Programs.

[27] National Child Welfare Resource Center for Family Centered Practice. (2003). Family centered child welfare. Washington, DC: Author.

[28] DeNavas-Walt, C., Proctor, B., and Hill Lee, C. (2006). Income, Poverty, and Health Insurance Coverage in the United States: 2005. *Current Population Reports* (pp. 60–231). Washington, DC: U.S. Government Printing Office.

[29] United States General Accounting Office. (2003, April). Child welfare and juvenile justice: Federal agencies could play a stronger role in helping states reduce the number of children placed solely to obtain mental health services. *Report to Congressional Requesters (14).* Washington, DC: Author.

[30] Vandivere, S., Gallagher, M., and Anderson Moore, K. (2004). Changes in children's well-being and family environments. *Snapshots of America's Families III*, No. 18. Washington, DC: Urban Institute.

Poverty also correlates with increased rates of mental illness and substance abuse among parents,[31] leaving them less ready to handle the stressors associated with raising children. The children of parents with substance abuse or mental health concerns are therefore more likely to be victims of abuse or neglect. Availability of comprehensive mental health care reduces caregiver stress and increases a child's chance for healthy development and stable placement.[32] Helping children to overcome the obstacles created by the presence of poverty in their early lives means increasing services to address the mental health and substance abuse treatment needs of these children and their parents.

CWLA POLICY GOALS

For a list of some of our immediate recommendations we refer the subcommittee to our testimony submitted to the Ways and Means Committee on January 24, 2007. What we seek and we believe all policymakers seek, is to more fundamentally address the issue of poverty. We cannot be caught up in a battle of statistics of how well we are doing as a nation. Instead we need to focus on the children who face the reality of being born behind all the rest of us. There is no simple solution or silver bullet that can fix all this. There needs to be a comprehensive approach that addresses all of the challenges that a child in poverty inherits on his or her first day of life. That solution involves more than making different choices. It is as we quoted before, not a values deficit but a deficit of resources.

Statement of Lary Wayne Holland

THE breakdown of the traditional family should be studied closely as a potential cause of poverty. The various States have begun to utilize the various programs under Title IV of the Social Security Act, including Part D, as a tool to generate revenue for growing bureaucracies instead of a tool to combat poverty by providing only to needy families.

The way the current Title IV–D program is being administered by the many States has led to taxpayers funding the breakdown of the family by making the incentives greater for separation than the incentives for marriage and jointly raising children in a traditional setting.

Finally, there is a direct link between increased taxation and poverty. "Building a strong economy—and helping the poor—means keeping taxes and government spending low." (Source: Mathew Ladner, "Want to reduce poverty? Lower those tax rates." *Christian Science Monitor* [December 15, 2006].)

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[31] DeBellis, M. D., Broussard, E. R., Herring, D. J., Wexler, S., Moritz, G., & Benitez, J. G. (2001). Psychiatric co-morbidity in caregivers and children involved in maltreatment: A pilot research study with policy implications. *Child Abuse & Neglect 25* (7): 923–44. Chicago: The International Society for Prevention of Child Abuse and Neglect.

[32] McCarthy, J. (2003). Creating effective systems for mental health care and services. *Best Practice Next Practice.* Washington, DC: National Child Welfare Resource Center for Family Centered Practice.