CENTER FOR ECONOMIC AND POLICY RESEARCH

Talking about Poverty in a Jobs and Economy Framework

Shawn Fremstad

September 2011

Center for Economic and Policy Research
1611 Connecticut Avenue, NW, Suite 400
Washington, D.C. 20009
202-293-5380
www.cepr.net

Contents

About the Author

Shawn Fremstad is the Director of the Inclusive and Sustainable Economy Initiative at the Center for Economic and Policy Research in Washington, DC.

Acknowledgments

This is a slightly revised version of remarks prepared for Opening American Minds to the Impacts of Poverty and the Importance of Public Solutions, a webinar held on September 7, 2011 by Public Works: The Demos Center for the Public Sector, http://bit.ly/nNqOvl.

Introduction

Reducing poverty substantially is not a small project. Unfortunately, only 1 percent of Americans point to "poverty" when asked about the most important problems facing the nation.[1] This presents anti-poverty activists with a strategic problem: we need major policy reforms to substantially reduce poverty, but hardly any Americans – including, it must be said, those officially categorized as poor – view "poverty" as a major issue.

The good news is that most Americans currently point to "jobs" or the "economy" when asked to identify the most important problem. The poverty rate is largely determined by job availability and job quality – specifically unemployment, median earnings, and wage inequality, which explain most of the trend in poverty over the last several decades[2] – so poverty is actually best understood within a jobs and economy framework.

Here are two general recommendations for doing this:

First, tell a big-picture story about the relationship between policy and economic security for both low- and middle-income Americans. This story should highlight the role that failed conservative economic policies have played in increasing economic insecurity for both low- and middle-income families, how things could have been different, and how progressive solutions will make things better for everybody.

Second, avoid talking about poverty in ways that send the message that people living below the poverty line are inherently different from people living above it.

Tell a Big-picture Story

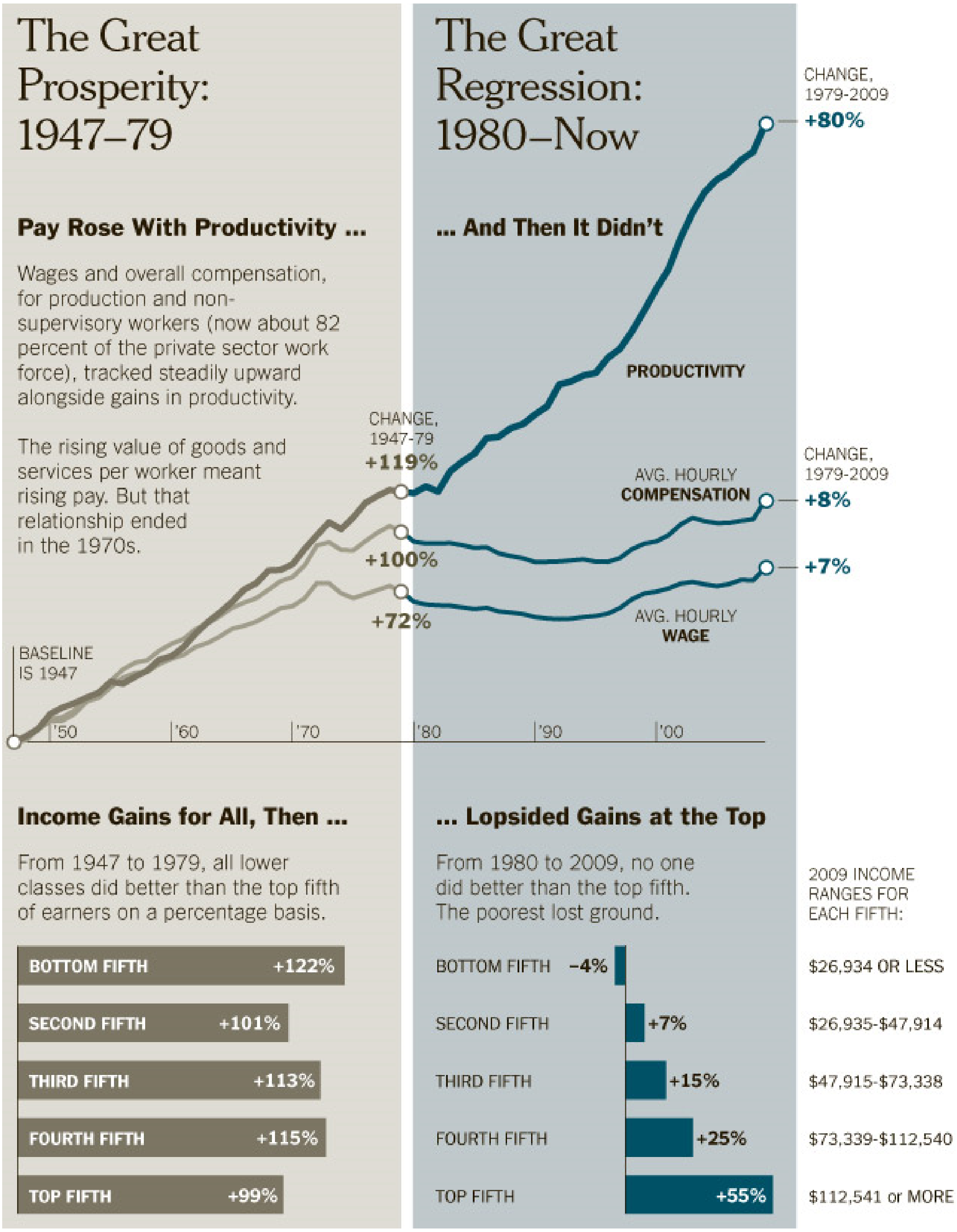
A starting point here is the historical narrative the Economic Policy Institute has told in its State of Working America reports and that has been echoed in the media by people like Paul Krugman,[3] Robert Reich and others. A recent example is an opinion piece by Robert Reich in the *New York Times*.[4] The chart below, part of a larger graphic that accompanied the piece, summarizes the basic theme: the difference between what Reich calls "The Great Prosperity" years between 1947 and 1979 and the "The Great Regression" between 1980 and now.

1 This figure also includes people volunteering homelessness or hunger. Gallup, "Most Important Problem, August 11-14, 2011," http://www.gallup.com/poll/1675/most-important-problem.aspx. When poverty is named explicitly by pollsters and people are asked whether they view poverty as a "top priority," the numbers are much higher, but this tends to be the case with many issues and tells us little about intensity of feeling, or whether people think about the issue at all without prompting.

2 See Hoynes, Page, and Stevens (2006). For similar results, see Lang (2007). Researchers have also examined trends in California and New York City. Page and Stevens (2005), looking at the increase in California's poverty rate between 1977 and 2004, found that most of the increase was attributable to an increase in wage inequality. Three factors—wage inequality, unemployment and median wage trends—explained about 2/3rds of the increase in poverty. Similarly, Levitan and Wieler (2008) found that increased poverty in New York City between 1966-1999 was largely due to the growth in income inequality.

3 See particularly Chapter 3 of Krugman (2007).

4 Reich (2011).



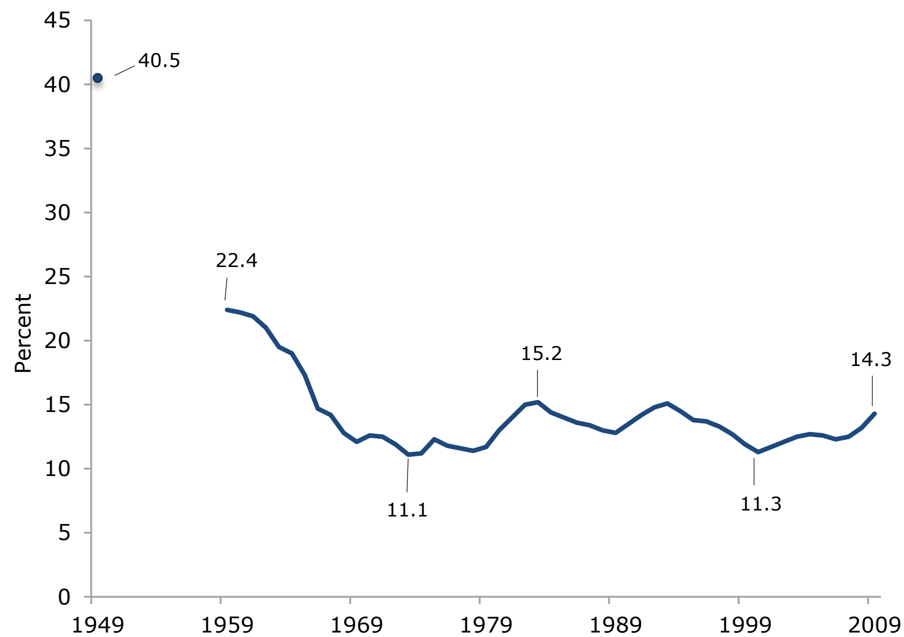
As the top chart in the graphic shows, during the Great Prosperity, compensation for most workers rose steadily at the same pace as overall economic growth and increases in productivity. During the Great Regression, the economy and productivity kept growing at roughly the same rate, but compensation for most workers leveled off. The next set of bar charts focuses in on income trends for each fifth of the population, sorted by income. During the Great Prosperity years, everybody experienced large gains in income, but low-income Americans gained the most; during the Great

Regression, gains were concentrated at the top, while the poorest lost ground and the middle didn't do much better.

Policies that played a major role in making the Great Prosperity happen included the New Deal-era economic reforms, especially reforms that increased the bargaining power of workers, as well as social insurance programs like the Social Security Act and massive infrastructure investments like the creation of the National Highway System. Factors that contributed to the Great Regression included declines in the inflation-adjusted minimum wage and policies (and regulatory inaction) that contributed to declines in the share of workers represented by unions, deregulation of the financial sector, and a prioritization of tax cuts for extremely high-income people over public investment.

Trends in the poverty rate fit almost perfectly into this Great Prosperity vs. Great Regression narrative (see **Figure 1**). The poverty rate fell steadily between 1949 and 1973, declining overall by nearly 75 percent. After the Reagan Administration shifted federal policy to the right, poverty increased steadily. It fell briefly during the full employment years of the 1990s – nearly hitting its historical low in 1999 – but has been on the rise again since then.

FIGURE 1
Poverty Rate, 1949, 1959-2009



Source: 1949: Ross, Danziger, and Smolensky (1987); 1959-2009: Bureau of Labor Statistics, Current Population Survey.

One of the things this shows is that poverty is not an isolated indicator – the economic experiences of low- and middle-income Americans are largely linked. All of this isn't to say that what Reich calls the Great Prosperity years were a wonderful time for all low-income people and people of color that we need to return to, but rather that the kinds of progressive policies that prevailed during this period got us moving in the right direction for nearly three decades by ensuring that people in all income groups shared in economic growth and productivity gains. If we had kept moving in that same direction – for example, if low- and middle-income people had shared in economic growth during the last three decades at the same level as they did in the earlier period, the United States would be a stronger, more prosperous and more just nation today and the poverty rate, at least as currently measured, would be somewhere around zero.

When anti-poverty advocates talk about historical poverty trends they often tell a somewhat different story. Their story typically begins with the War on Poverty in 1963, and highlights the reduction in poverty between then and 1973. However, this misses the fact that more than half of the long-term decline in poverty that took place during the Great-Prosperity period *before* the War on Poverty, and underplays the major role that factors like the increases in unionization and public investments in infrastructure – both of which peaked during this period—played in reducing poverty.[5]

Similarly, anti-poverty advocates often focus on means-tested benefits as a primary determinant of poverty trends. While means-tested benefits are certainly important, focusing on them alone can obscure the larger role that the labor market and other public structures play in poverty.[6] As I noted above, poverty trends over the last several decades can be largely explained by changes in three macroeconomic factors: the unemployment rate, median earnings, and wage inequality. Any substantial reduction in poverty will require getting these numbers moving in the right direction again for all working and middle-class families through broad-based progressive economic reforms.

Finally, the progressive anti-poverty narrative sometimes closes with a call for a "new war on poverty."[7] The War on Poverty certainly wasn't a failure, but calling it a "war" made it easier for conservatives to frame it as one when it didn't completely eliminate the problem. Moreover, the "war" metaphor suggests that poverty is a kind of alien invader or threat, rather than something intrinsic to our economy and "human-made."

5 The idea that the New Deal and subsequent progressive reforms did little for low-income people until the War on Poverty seems to be part of the anti-poverty movement's DNA, perhaps because some of the original arguments for the War on Poverty make this claim. See, for example, Harrington (1962), p. 146, arguing that the New Deal helped only "the middle third." As a factual matter, we now know this claim, while well-intentioned at the time, was wrong. Poverty declined at roughly the same rate in the 15 years before the War on Poverty as in the decade after it. The New Deal and subsequent progressive reforms were far from perfect, but it goes much too far to say that they didn't help the bottom third at all. The persistence of idea that poverty didn't decline prior to the War on Poverty may be due in part to the fact that the official poverty estimates provided by the federal government start in 1959. However, researchers have estimated poverty rates for 1939 and 1949 by projecting the 1959 official poverty line back using the Consumer Price Index (just as it is currently projected forward) (Ross, Danziger, and Smolensky, 1987). Using this method they found that the poverty rate in 1949 was 40.5 percent compared to 22.1 percent in 1959. Thus, poverty fell by almost half (45 percent) in the 1950s. Poverty fell by almost half again between 1959 and 1969, hitting 12.1 percent in 1969, and then a few years later, in 1973, the share of persons below the official poverty line reached level on record at 11.1 percent. All told, between 1949 and 1973, poverty declined by 72.6 percent.

6 Similarly, Historian Alice O'Connor has noted the importance of broadening poverty discourse beyond its narrow focus on welfare and individual behavior. See O'Connor (2001).

7 See, e.g., New York City Coalition Against Hunger (2009).

Avoid Sending the Wrong Message

As Robert Putnam has said, "the central challenge for modern, diversifying societies is to create a new, broader sense of 'we.'"[8] Poverty, however, is commonly talked about – by activists, the media, policymakers, and others – in ways that send the message that people living below the poverty line are not part of that "we."

Talking about poverty in this way may help rally core supporters and increase contributions to private charities, but it may also make it harder for us to persuade policymakers to adopt public, progressive solutions of the scale and scope needed to substantially reduce poverty. This is especially likely to happen when we talk about poverty in ways that present it as an isolated or marginal phenomenon afflicting some "other America" and far removed from the everyday economic concerns faced by the vast majority of Americans.

Here are some specific examples of language that are best avoided:

The Three-P's: Poverty as Poison, Plague, or Paradox

Describing poverty as a poison or plague, as both John Edwards[9] and Paul Krugman[10] have in recent years, likely takes it out of an economic context for most listeners and places it in a medical or moral one. What many people are likely to hear is that the people living below the poverty line are infected or diseased, either physically or morally, and something to be feared and avoided.

Describing poverty as a paradox raises a somewhat different issue – it wrongly implies that poverty in the United States is inexplicable or surprising. In fact, poverty is unsurprising given economic and social policies that have limited the extent to which the incomes of low- and middle-income families keep pace with economic growth and gains in worker productivity. Low-wage jobs and limited social insurance aren't a bug in conservative economic plans, they're a feature.

Language that Suggests "The Poor" are Categorically Distinct from Groups Like the "Working Class" and the "Middle Class"

The term "the poor" is often used in ways that implies it is a self-contained category, one that is distinct from the "middle class" or the "working class."[11] However, most of the people with incomes below the poverty line don't self-identify as "poor." Surveys have found that people living below the poverty line mostly self-identify in income terms as "low-income" and in class terms as

8 Quoted in Berreby (2008), p. xv.

9 Edwards (2007). According to Edwards, poverty is "not a problem … not a challenge … [poverty] is a plague … and it is our national shame."

10 Krugman (2008).

11 A basic problem here is that, "concepts may alleviate mischief or they may make it worse; foster it or check it." Ludwig Wittgenstein, quoted in Wacquant (2008), pp. 233-234. Wacquant goes on to explain that "binary oppositions [such as poor vs. nonpoor] are well suited to exaggerating differences, confounding description and prescription, and setting up overburdened dualisms that erase continuities, underplay contingency, and overestimate the internal coherence of social forms."

"working class" or, to a lesser extent, as "middle class."[12] These terms have the added benefit of being less likely to be heard as marking people off as a "them" rather than an "us."

"Working class" is a term that we should use much more often in the anti-poverty movement. As Michael Zweig explains:[13]

> ... poverty is something that happens to the working class ... [people with incomes below the poverty line] are not some marginal other; [they] are typically working class people who don't make much money ... [w]hen we talk about poverty ... we are talking about the conditions of life for a sizable part of the working class. Yet much of the discussion of poverty in the United States has been framed in terms of an "underclass" ....

Similarly, it's important not to use language that implies that poverty is a kind of intrinsic condition or essential identity. Official poverty is a fairly dynamic status – working class-people face the greatest risk of falling below the poverty line, but they move below and above this in their lifetimes.[14] (Which isn't to say that there is much social mobility in the United States, but the income ranges often associated with standard class categories – like working class and middle class – are broader than the extremely low-income standard the official poverty line represents.)

Language that Implies there is Some Sharp Break in the Prevalence of Economic Hardship Between Low-Income Families Above the Federal Poverty Line and Those Below It

The federal poverty line implies that there is a meaningful break or distinction between low-income people living below the line and those living above it. But material hardships, like hunger and food insecurity, follow an income gradient with no sharp break at the official poverty line.[15] Moreover, because there are a lot more people between 100 and 200 percent of poverty than under it, and there is no sharp drop-off in hardship at the poverty line. The majority of people who experience hunger and food insecurity have incomes that are low, but actually above the current poverty line.[16]

Some Brief Examples of What to Say

To close, I've talked a fair amount about what not to say, so here are a couple of statements from national anti-poverty advocates that effectively talk about poverty as part of a broader jobs and economy frame:[17]

---

12 See general social survey questions on class identification. In addition, Peter Hart and Associates found that "working class" was the term that low-wage workers thought best described themselves—some 2/3rds of low-wage workers thought it described them well; by comparison, only about 1/3 of low-wage workers said that "working poor" described them well. Similarly, in a Gallup poll that asked "thinking just about our financial situation, do you consider yourself to be rich, upper income, middle income, lower income or poor", only 20 percent of households with income below $20,000 considered themselves to be "poor", compared to 48 percent who identified as "lower income" and 30 percent who identified as "middle income."

13 Zweig (2000), pp. 78-79.

14 An important exception here is people with disabilities, who are much more likely to experience very low income for long periods of time than people without disabilities. For more on this point, see Fremstad (2009).

15 On the prevalence of hardships among low-income workers above the poverty line, see Boushey et al (2001).

16 Fremstad (2010), p. 28.

17 Half in Ten (2011).

> Conservative proposals to slash critical public investments and cut assistance to the most vulnerable are job-killing strategies. "As the super committee considers its strategy for long-term deficit reduction, it is important to remember that slashing programs that strengthen the middle class and help struggling families will ultimately do long-term damage to our economy," said Winnie Stachelberg, Senior Vice President of Center for American Progress Action Fund.
>
> "A comprehensive strategy to create decent-wage jobs for more American workers is critical to both long-term poverty reduction efforts and rebuilding our economy to ensure shared prosperity for all," said Melissa Boteach, Half in Ten Manager. Half in Ten looks forward to working with Congress and the Obama administration to promote job creation that reflects these principles."

To give a state-specific example, several states have created state poverty commissions, typically using labels like the "Commission to End/Eliminate Poverty."[18] Creating a statewide task force or commission may be a good idea, but a better name for this type of initiative might be something like "Commission on Economic Security for Working Class Families" or similar language that leads with a commonly shared, affirmatively stated value, like increasing economic security or opportunity, and uses a term like "working class" that will have broader resonance with both the public generally as well as the specific people such efforts are trying to help.[19]

Finally, while a discussion of specific policy solutions that would reduce poverty by focusing on increasing good jobs is outside the scope of these remarks, it is very important to include solutions as part of any public narrative about poverty. Not including solutions will only reinforce the idea that "poverty will always be with us." At the federal level, solutions that would reduce poverty in the current environment include: 1) increasing investments in public infrastructure, particularly when combined with measures to ensure that low-income workers have access to the construction and other jobs created by these investments; 2) a system of work sharing that would give employers an incentive to maintain workers on their payroll at reduced hours instead of laying them off;[20] 3) providing a refundable tax credit, similar to the Making Work Pay tax credit, for low- and middle-income workers; and 4) creating a direct job creation program that would put people to work repairing schools, rebuilding communities, improving national parks, and rehiring police officers, firefighters, and teachers.[21]

18 See Center on Law and Social Policy (2011).
19 Moreover, we should be careful about implying that most states can "end" or "eliminate" poverty by themselves, especially over the short-run. Substantial reductions in poverty, especially over the short-term, are something that "it takes a nation" to do. See Blank (1998).
20 See Baker (2011).
21 For more on these and other ideas, see Fieldhouse et al (2011).

References

Baker, Dean. 2011. "Work Sharing: The Quick Route Back to Full Employment." Washington, DC: Center for Economic and Policy Research. http://www.cepr.net/documents/publications/work-sharing-2011-06.pdf.

Berreby, David. 2008. *Us and Them: The Science of Identity*. Chicago: University of Chicago Press.

Blank, Rebecca. 1998. *It Takes a Nation: A New Agenda for Fighting Poverty*. Princeton: Princeton University Press.

Boushey, Heather, Chauna Brocht, Bethney Gundersen, and Jared Bernstein. 2011. *Hardships in America: The Real Story of Working Families*. Washington, DC: Economic Policy Institute.

Center on Law and Social Policy (CLASP). 2011. "Poverty and Opportunity: State Government Task Forces." Washington, DC: CLASP. http://www.clasp.org/admin/site/publications/files/StatewithPovertyCommissions-1.pdf

Edwards, John. 2007. "Conclusion: Ending Poverty in America," in Edwards, John, Marion Crain, and Arne L. Kalleberg (eds.), *Ending Poverty in America: How to Restore the American Dream*. New York: The New Press.

Fieldhouse, Andrew, Josh Bivens, Lawrence Mishel and Ross Eisenbrey. 2011. "Putting America Back to Work: Policies for Job Creation and Stronger Economic Growth." Washington, DC: Economic Policy Institute.

Fremstad, Shawn. 2009. "Half in Ten: Why Taking Disability into Account is Essential to Reducing Income Poverty and Expanding Economic Inclusion." Washington, DC: Center for Economic and Policy Research. http://www.cepr.net/documents/publications/poverty-disability-2009-09.pdf

Fremstad, Shawn. 2010. "A Modern Framework for Measuring Poverty and Basic Economic Security." Washington, DC: Center for Economic and Policy Research. http://www.cepr.net/documents/publications/poverty-2010-04.pdf

Half in Ten. 2011. "Statement: Half in Ten Urges Bold Response to Jobs Crisis." September 6. http://halfinten.org/news_press/releases/half-in-ten-urges-bold-response-to-jobs-crisis/

Harrington, Michael. 1962. *The Other America: Poverty in the United States*. New York: Macmillan.

Hoynes, Hillary W., Marianne E. Page, and Ann Huff Stevens. 2006. "Poverty in America: Trends and Explanations." *The Journal of Economic Perspectives*, Vol. 20, No. 1.

Krugman, Paul. 2007. *The Conscience of a Liberal*. New York: W. W. Norton & Company.

Krugman, Paul. 2008. "Poverty is Poison." *New York Times*, February 18. http://www.nytimes.com/2008/02/18/opinion/18krugman.html.

Lang, Kevin. 2007. *Poverty and Discrimination*. Princeton: Princeton University Press.

Levitan, Mark K. and Susan S. Wieler. 2008. "Poverty in New York City, 1969-99: The Influence of Demographic Change, Income Growth, and Income Inequality." Federal Reserve Bank of New York, *Economic Policy Review* (July) pp. 13-30.

New York City Coalition Against Hunger. 2009. "Poverty and Uninsured Soar in 2008, Reports Census; Earnings Plummeted and Inequality Remained." http://www.nyccah.org/files/9%2010%20Poverty%20Release%20FINAL.pdf

O'Connor, Alice. 2001. *Poverty Knowledge: Social Science, Social Policy, and the Poor in Twentieth-Century U.S. History*. Princeton: Princeton University Press.

Page, Marianne E. and Ann Huff Stevens. 2005. "Understanding the Relation between Labor Market Opportunity and Poverty Rates in California." Report Prepared for California Department of Social Services, July.

Reich, Robert. 2011. "The Limping Middle Class." *New York Times*, September 3. http://www.nytimes.com/2011/09/04/opinion/sunday/jobs-will-follow-a-strengthening-of-the-middle-class.html

Ross, Christine, Sheldon Danziger, and Eugene Smolensky. 1987. "The Level and Trend of Poverty in the United States, 1939-1979." *Demography*, Vol. 24, No. 4 (Nov), pp. 587-600.

Wacquant, Loic. 2008. *Urban Outcasts: A Comparative Sociology of Advanced Marginality*. Malden, MA: Polity Press.

Zweig, Michael. 2000. *The Working Class Majority: America's Best Kept Secret*. Ithaca: ILR Press/Cornell University.