

# Poverty in America

*A Handbook*

*Third Edition*

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country makes it difficult to meet the most basic of needs, makes one vulnerable to adverse events (e.g., unexpected illness), and generally hampers the ability to control one's circumstances. As a consequence, infant mortality rates are much higher in developing countries and life expectancies lower. Globalization has likely lowered absolute poverty rates worldwide, especially in rapidly industrializing countries such as China and India. However, globalization has increased inequality within some countries, done little for people in some countries that continue to have very high poverty rates, and has, through technological means such as the Internet, heightened people's awareness of existing inequalities. Some countries remain poor because of poverty and fiscal traps (it is hard to invest in the future if you have no money in the first place), physical geography (e.g., being landlocked), governance failures in the form of corruption, cultural barriers, geopolitics and conflict, and demography (e.g., high fertility rates and a lack of investment in children). Anemic economic growth in rich countries and rapid growth in many developing ones in recent years is serving to reduce global inequalities between countries.

A second theme of this chapter is that, despite the fact that the United States has virtually the highest GNP per capita in the world, it has higher levels of both absolute and relative poverty than other rich countries in Northern and Western Europe. It also has higher levels of relative poverty than an even broader set of countries. The higher U.S. poverty rates are a function of fewer government transfers to low-income families. In contrast to conventional wisdom, the United States also has lower levels of economic mobility than many other rich countries in Europe, such as Sweden, Germany, and Denmark. Economic mobility also seems particularly low for the low-income population. Growing levels of economic inequality combined with moderate levels of economic mobility may be contributing to recent expressions of apprehension and unease among many Americans.

## CHAPTER 5

# Causes of Poverty

It is commonly believed that individual failings or wayward values propel people into poverty. In the 1960s, anthropologist Oscar Lewis wrote, "By the time slum children are age six or seven they have usually absorbed the basic values and attitudes of their subculture and are not psychologically geared to take full advantage of changing conditions or increased opportunities which may occur in their lifetime."<sup>1</sup> When asked about causes of poverty, about half of Americans say that poverty is the fault of individuals, while nearly the same proportion feel that circumstances play the principal role. Affluent people are more likely to believe that poor people are not doing enough to help themselves, while the poor are more likely to point to circumstances. About two-thirds of Americans believe that the poor have the same values as other Americans, and about a fifth think they have lower moral values.<sup>2</sup>

Economists often focus on individual traits by emphasizing the role of *human capital* in people's economic well-being. Human capital refers to people's knowledge, skills, personality, and experiences that help them do a job well. Many studies have indeed shown that people who invest in their education and skills can expect higher incomes. However, this emphasis on individual characteristics as the main determinant of poverty often overlooks the roles that social, economic, and political systems play in affecting people's well-being.<sup>3</sup> In this chapter I discuss the underlying structural cause of poverty, including why poverty is more prevalent among some groups than others. I begin with a brief

discussion of general sociological theories of social stratification. I then examine the role of the economy and low-wage work in explaining patterns of poverty, analyze changing patterns of racial and ethnic stratification, and, finally, discuss gender norms, family structure, and culture and their impact on poverty.

## SOCIAL STRATIFICATION

The term *social stratification* here refers to a set of social and economic institutions that generate inequality and poverty. Inequalities have played themselves out in various ways in different social systems over time. David Grusky posits that modern industrial societies have egalitarian ideologies that run contrary to extreme forms of stratification found in caste, feudal, and slave systems. Nevertheless, inequality continues to be a prominent feature in most societies.<sup>4</sup>

Many of the concepts used to understand stratification today come from sociological theorists of the nineteenth and early twentieth centuries. Karl Marx focused on the role of economic systems in producing inequality. Briefly, he argued that stratification in industrial societies is generated by the conflict between two opposing classes, the bourgeoisie and proletariat. The former are the owners of the means of production—the capitalists—and the latter are the workers.<sup>5</sup> The bourgeoisie exploit the proletariat by keeping the surplus value—the profit—generated by their work.<sup>6</sup>

Max Weber, whose main body of work dates to the early twentieth century, held that the concept of class alone was not enough to understand stratification. He proposed a triumvirate of concepts: class, status groups, and parties. He defined status groups as communities, often distinguished by a specific lifestyle and value system. If the line between groups is rigid, a status group is a closed “caste.” Status groups gain power through the monopolization of goods or control of social institutions. The third concept, parties, refers to political power. Weber makes the distinction between the three concepts in the following way: “Whereas the genuine place of ‘classes’ is within the economic order, the place of ‘status groups’ is within the social order . . . [and] ‘parties’ live in a house of ‘power.’”<sup>7</sup>

The concepts of class, status, and party continue to have resonance in discussions of the causes of poverty today. Below I discuss the role of the market system (factors relating to “class”) in generating prosperity and poverty and social forces (“status”) that produce unequal outcomes

among different groups. The effect of policy (“party”) is discussed in chapter 7.

## *The Effect of Economic Processes on Poverty*

Economic processes affect trends in poverty in two ways. First, economic growth determines absolute increases and declines in average standards of living. Second, economic inequality affects the distribution of income. A common analogy is that economic growth determines the size of the pie, while inequality affects the size of each slice. I now discuss the impact of each of these on poverty in more detail.

*Economic growth* here refers to increases in overall levels of national income. Economic growth is a function of changes in the size of labor supply, human and capital investment, and technological improvements. The U.S. economy experienced increases in all three over the last two centuries. First, the country’s population grew from under 4 million in 1790, to 76 million in 1900, to 309 million in 2010.<sup>8</sup> As a country grows, usually its economy grows as well. Second, we have seen increases in human capital investment over time. For example, whereas only 25 percent of people twenty-five years and older had four years of high school in 1940 (the first year in which the Census Bureau collected these figures), 85 percent had achieved this level by 2006–2010.<sup>9</sup> Greater human capital is associated with greater productivity and hence growth. Third, technological shifts in the form of the industrial revolution and more recent advances in computing and associated technology have also contributed to improvements in productivity and growth.

Figure 13 shows the trend in both poverty rates, using an absolute poverty standard, and the gross domestic product (GDP)—the output of goods and services produced by labor and property located in the United States—over the period 1947–2011.<sup>10</sup> As expected, the figure shows a negative correlation between GDP growth and poverty, particularly in the 1947–73 period. In 1947, by one estimate, the poverty rate was well over 30 percent. By 1973 it had declined to 11.1 percent. Over that period the GDP rose from 1.8 trillion to 4.9 trillion, in constant 2005 dollars. Note that when we observe slight dips in the GDP, as during the recessions of 1973–74, 1981–82, and 1991–92, we see corresponding spikes in the poverty rate. Evidence from developing countries around the world also indicates that there is a very strong relationship between economic growth and absolute poverty rates.<sup>11</sup>

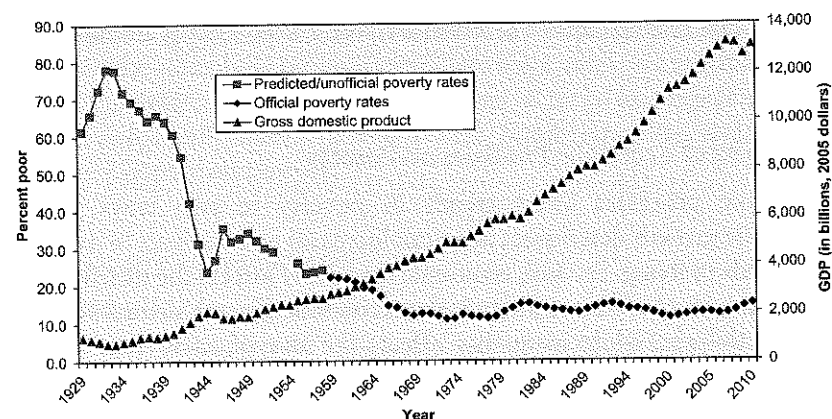


FIGURE 13. Poverty Rates and the Gross Domestic Product, 1929–2011. SOURCE: GDP data are from the Bureau of Economic Analysis 2012. Poverty rates from 1947 to 1958 come from Fisher 1986, as reprinted in Plotnick et al. 1998, Appendix D. Poverty figures for 1959–2011 come from U.S. Census Bureau 2012j.

The figure also suggests that the relationship between income growth and poverty weakened beginning in the 1970s. Some believe that growing inequality may have played a role in persisting high rates of poverty after 1970.<sup>12</sup> Even through much of the 2000s, while GDP grew, poverty remained remarkably flat. It was only with the sharp decrease in GDP during the Great Recession in the latter part of the decade that we see a noticeable response in poverty. Perhaps more important than GDP growth alone is the effect of unemployment. It has been estimated that a 2-point rise in the unemployment rate leads to a 0.9-point rise in the poverty rate over time.<sup>13</sup> This relationship held during the latest recession as well.

One caveat about these findings is that the association between economic growth and poverty, using a relative or subjective poverty standard, is less straightforward than when we use the absolute poverty standard discussed here. When using relative poverty measures, we find that as general living standards rise, so do the poverty thresholds, resulting in a much weaker association between income growth and poverty. Inequality therefore tends to have a larger association with trends in relative poverty rates.<sup>14</sup>

Income inequality results from economic systems that foster the accumulation of money and assets in one segment of society, often at the expense of another. To paraphrase Marx, business owners favor having inexpensive labor to maximize their profits (to reap surplus

value). However, it should be noted that the market is not necessarily a zero-sum game; economic growth potentially benefits large segments of society. Average standards of living rose in the United States dramatically over the twentieth century (as measured by per capita income), as have life expectancies. Still, stratification and inequality generated by the market are phenomena that continue to cause concern among many observers in the United States and abroad. While some people remain unconcerned with inequality—believing, for example, that equality of opportunity is much more important than equality in outcomes—others contend that any economic system needs to be able to restrain inequality in order to retain its popular support and legitimacy.

Aside from the issue of how capital is distributed, economic disruptions, which are common in the market system, can also help produce economic instability and inequality. In the early 1940s economist Joseph Schumpeter popularized the idea of “creative destruction” inherent in capitalism. The term refers to the notion that capitalism prizes innovation that often disrupts the traditional order.<sup>15</sup> For example, in the nineteenth century the United States was largely rural, and a majority of people were engaged in farm-related activities. Industrialization, accompanied by urbanization, changed this; many workers in the countryside and small towns, such as farmers, unskilled laborers, and skilled craftsmen, were displaced by the mechanization of agriculture and the mass production of other goods. These workers, left with few relevant skills, often searched in vain for steady employment. One consequence was widespread poverty in many American cities and towns.<sup>16</sup>

At the turn of the twentieth century, economic instability in the United States continued. This was the era of the consolidation of large corporations. Although these corporations provided stability for many workers in core industries, such as the automobile industry, workers involved in more marginal industries were particularly susceptible to low wages, unemployment, and poverty.<sup>17</sup> The conflict between capital and labor reached a fever pitch in the United States early in the twentieth century. Workers in many manufacturing industries tried unionizing to bring about higher wages and better working conditions, and they were bitterly opposed by business owners.

Reformers such as President Theodore Roosevelt were dismayed by the concentration of wealth and power among prominent industrialists and giant corporations and favored a more equitable distribution of resources among the population. While World War I shifted the focus

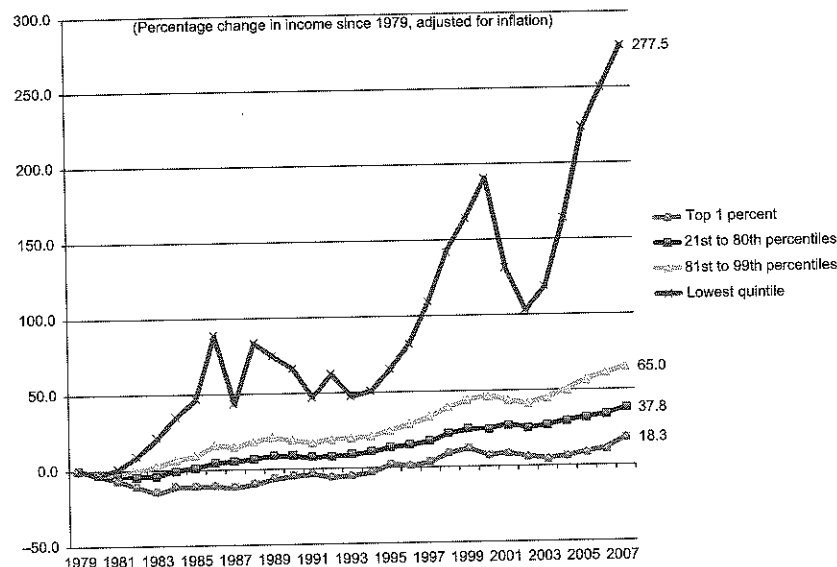


FIGURE 14. Cumulative Growth in Average After-Tax Income, by Income Group, 1979–2007. SOURCE: Congressional Budget Office 2011.

of politics to other issues, these basic tensions between capital and labor simmered through the first half of the twentieth century. Slowly, however, labor unions gathered wider acceptance, and membership grew.<sup>18</sup> In addition, most segments of the population shared in the economic boom that followed World War II.<sup>19</sup>

By the 1970s, the situation had changed once again. In addition to the slowing of economic growth, inequality began to increase. Figure 14 examines the growth in average after-tax income, by group, from 1979 to 2007. The lowest income quintile saw a modest increase in income—18 percent—over the period. Meanwhile, the middle-income group saw a 38 percent increase, the highest quintile a 65 percent increase, and the top 1 percent a full 278 percent increase in income over the period. As a result, income inequality grew substantially.<sup>20</sup>

This is further illustrated in figure 15, which shows the change in shares of income by each quintile. Whereas 7.1 percent of all income was held by the bottom quintile in 1979, by 2007 this share fell to 5.1 percent. The four bottom quintiles showed a drop in their share of income. In contrast, the 81st to 99th percentile of the income distribution saw a very slight increase in its share, from 35.1 to 35.6 percent, while the top 1 percent of households experienced an enormous increase

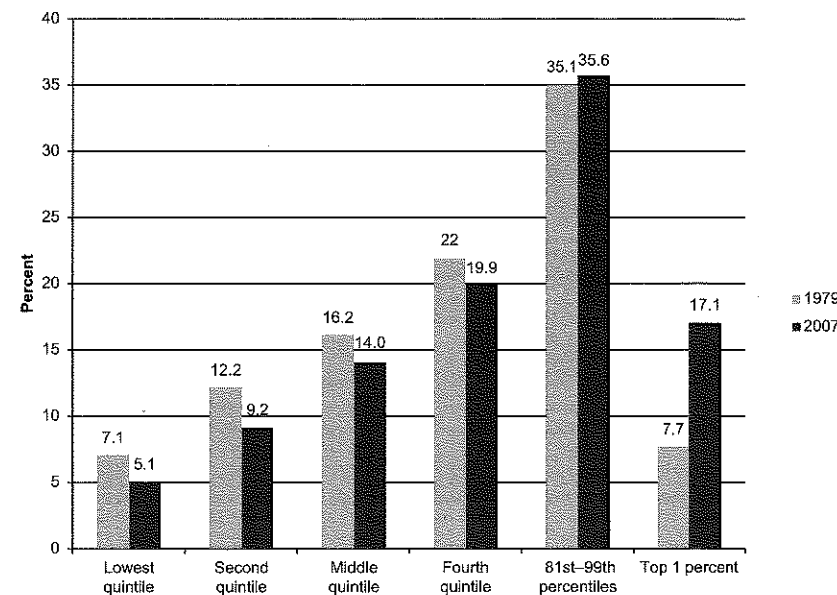


FIGURE 15. Shares of Income after Transfers and Federal Taxes, 1979 and 2007. SOURCE: Congressional Budget Office 2011.

in its share of national income, from nearly 8 percent to over 17 percent over the period.<sup>21</sup> Recent data indicate that although income inequality may have dipped briefly at the start of the recession in 2007, it continued its long-term upward march in the few years afterward.<sup>22</sup>

Why, more generally, after decades of decreasing inequality throughout the middle of the twentieth century, did inequality rise in the last quarter of the century? There are several, often overlapping, reasons, including the increasing demand for high-skill workers due to technological changes, globalization and international trade, the decline in unionism, the rising salaries for people who are considered “superstars,” and changes in government policies that favor the rich at the expense of the poor. These are now discussed in turn.

Changes in the structure of the economy that have favored more-educated workers over less-skilled ones clearly have played a role in recent increases in inequality. Specifically, some have argued that technological advancements in the 1980s led to “skill-biased technological change” (SBTC), where workers were increasingly called upon to be familiar with computers or high-tech equipment and machinery. The increased demand for more-skilled workers drove up wages for people

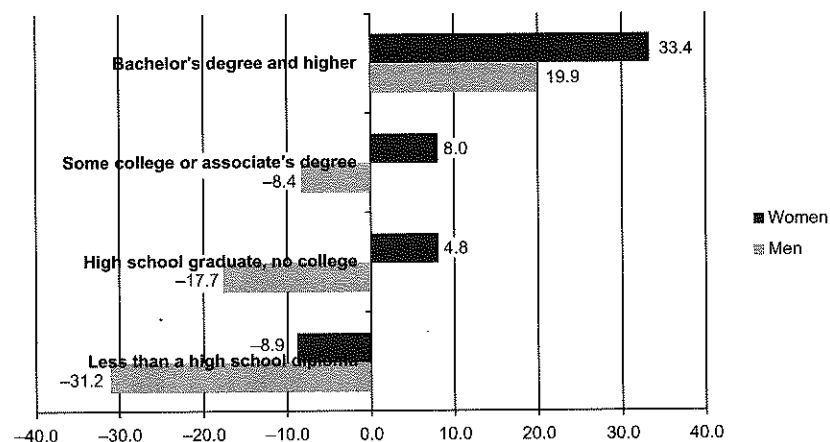


FIGURE 16. Percentage Change in Median Usual Weekly Earnings, by Educational Attainment and Gender, 1979–2010. SOURCE: Bureau of Labor Statistics 2011, chart 3.

with those skills during a time when demand for less-skilled workers also fell.<sup>23</sup> Thus, a much higher proportion of jobs now require, or are most suitably filled by, college graduates than before.

Much of the evidence for this hypothesis comes from the growing differences in employment and wages by level of education. Although about 90 percent of men with at least some college were in the labor force in both 1979 and 2007, labor force participation rates among those with only a high school diploma declined from 92 percent to 83 percent, and the rate among those without a high school diploma fell from 79 percent to 73 percent. Among women, the pattern differed somewhat, with women of all educational levels increasing their labor force participation from 1979 to 2007, though the increases were highest among the most educated women.<sup>24</sup>

Likewise, weekly wages among less-skilled men declined by 31.2 percent between 1979 and 2010, during a time when weekly earnings grew by 19.9 percent among men with a bachelor's degree or higher (see figure 16). Among women, the decline among high school dropouts was less pronounced (an 8.9 percent decline), and the increase among those with a bachelor's degree or more was even higher than among men (33.4 percent increase).<sup>25</sup>

Globalization and international trade may have contributed to growing wage inequality. U.S. workers increasingly compete with workers around the world. Highly skilled U.S. workers often have a comparative

advantage in the global economy because of both the high quality of postsecondary education in the United States and because the headquarters of many multinational corporations, to which profits flow, are located in the United States. Conversely, many less educated American workers are at a disadvantage given the lower costs and wage levels in other parts of the globe.<sup>26</sup> This has at least in part contributed to the continued deindustrialization in the United States that began in the second half of the twentieth century.<sup>27</sup> Many of these jobs have moved to locations outside the United States where wages are lower.<sup>28</sup>

Apple, for example, employed 43,000 people in the United States and 20,000 overseas in 2012. This, however, is a small fraction of the more than 400,000 workers General Motors employed in the United States in the 1950s. An additional 700,000 people work for Apple's contractors to engineer, build, and assemble various Apple products, such as iPhones and iPads. Nearly all of these jobs are in Asia, Europe, and elsewhere outside the United States.<sup>29</sup> A *New York Times* article illustrated why many of these jobs went overseas:

Apple executives say that going overseas, at this point, is their only option. One former executive described how the company relied upon a Chinese factory to revamp iPhone manufacturing just weeks before the device was due on shelves. Apple had redesigned the iPhone's screen at the last minute, forcing an assembly line overhaul. New screens began arriving at the plant near midnight.

A foreman immediately roused 8,000 workers inside the company's dormitories, according to the executive. Each employee was given a biscuit and a cup of tea, guided to a workstation and within half an hour started a 12-hour shift fitting glass screens into beveled frames. Within 96 hours, the plant was producing over 10,000 iPhones a day.

"The speed and flexibility is breathtaking," the executive said. "There's no American plant that can match that."<sup>30</sup>

Moreover, wages at these factories, at \$17 a day, were a fraction of what U.S. employees would be paid for this kind work. Not only is low-skill work increasingly done abroad, but many middle-class jobs, such as much of the engineering work done for Apple products, are also being done abroad. The article on Apple cited above also gives the example of Eric Saragoza, a former employee of Apple:

The first time Eric Saragoza stepped into Apple's manufacturing plant in Elk Grove, Calif., he felt as if he were entering an engineering wonderland.

It was 1995, and the facility near Sacramento employed more than 1,500 workers. It was a kaleidoscope of robotic arms, conveyor belts ferrying circuit boards and, eventually, candy-colored iMacs in various stages of

assembly. Mr. Saragoza, an engineer, quickly moved up the plant's ranks and joined an elite diagnostic team. His salary climbed to \$50,000. He and his wife had three children. They bought a home with a pool.

"It felt like, finally, school was paying off," he said. "I knew the world needed people who can build things."

At the same time, however, the electronics industry was changing, and Apple—with products that were declining in popularity—was struggling to remake itself. One focus was improving manufacturing. A few years after Mr. Saragoza started his job, his bosses explained how the California plant stacked up against overseas factories: the cost, excluding the materials, of building a \$1,500 computer in Elk Grove was \$22 a machine. In Singapore, it was \$6. In Taiwan, \$4.85. Wages weren't the major reason for the disparities. Rather it was costs like inventory and how long it took workers to finish a task.

"We were told we would have to do 12-hour days, and come in on Saturdays," Mr. Saragoza said. "I had a family. I wanted to see my kids play soccer."<sup>31</sup>

Not unrelated to this trend toward jobs going overseas, the decline of unions also likely contributed to inequality in the United States over the past few decades. The proportion of the workforce that is unionized has been falling since the 1950s, and it accelerated after the mid-1970s.<sup>32</sup> A mere 12 percent of workers were in unions in 2011, down from 29 percent in 1975.<sup>33</sup> Nonunionized workers are typically paid lower wages and have less job security than unionized ones.<sup>34</sup> There has been a lot of controversy about whether immigration has contributed to inequality, but, on the whole, studies suggest that immigration has served to depress the wages of native low-skill workers by only a modest amount.<sup>35</sup>

Why the incomes of the top 1 percent in particular have surged in recent years is not altogether clear. It seems that "superstars," such as actors, athletes, and musicians, make more than they used to, perhaps because improving standards of living and globalization have increased consumer demand and related profits. Changes in the governance and structure of executive pay, the general increase in the size and complexity of businesses, and the increasing scope of activities in the financial sector may also have played a role.<sup>36</sup>

A final factor contributing to inequality more generally is that the equalizing effect of government transfers and taxes on household income has been smaller in recent years than in the past. For example, the wealthy pay substantially less in taxes than they did a generation ago. This effect of government policies on poverty is discussed in more detail in chapter 7.<sup>37</sup>

## SOCIAL STRATIFICATION: RACE, ETHNICITY, GENDER, AND CULTURE

While the economic forces described above determine overall levels of economic growth and inequality, social stratification across social ("status") groups determine, in a world of finite resources, *who* becomes poor. The main status groups in today's society are defined by the intersection of ethnic, gender, and class affiliations.<sup>38</sup>

Social stratification across status groups occurs when social groups seek to maximize their rewards by restricting others' access to resources and opportunities. Max Weber noted that one social group usually "takes some externally identifiable characteristic of another group—[such as] race, language, religion, local or social origin, descent, residence, etc.—as a pretext for attempting their exclusion."<sup>39</sup> Caste systems are an extreme form of closed stratification systems; this system, such as in the form of Jim Crow segregation, prevailed in parts of the United States until the middle of the twentieth century.

The process of stratification is usually a cumulative one. A person may begin life at a disadvantage, and disadvantages may be augmented at each stage of the life cycle, such as through the discriminatory restriction of educational opportunities, then job opportunities, and so on.<sup>40</sup> When stratification is so deeply ingrained in society, reducing its effects becomes very difficult. The analysis of trends in poverty that follows indicates that, although social stratification across racial, ethnic, and gender lines inhibits opportunities and serves to increase poverty among some groups, the degree of stratification across these groups diminished substantially over the last half century in the United States.

### *Racial and Ethnic Stratification*

Several minority groups fare worse than whites according to a number of social and economic indicators. On average, minorities are more likely than whites to have lower levels of education, employment, and wages, and they are more likely to have chronic health problems—all characteristics associated with higher poverty rates.<sup>41</sup>

Discrimination against minority group members has historically played a critical role in producing social inequalities. More generally, discrimination arises out of competition for scarce resources and serves to protect group solidarity.<sup>42</sup> In the educational system, discrimination has contributed to school segregation, classroom segregation, and unequal access to high-quality facilities.<sup>43</sup>



Societies characterized by high levels of discrimination also usually have highly segregated labor markets where wages for the same kind of work differ across groups.<sup>44</sup> Disadvantaged group members may be excluded altogether from many better-paying jobs and thus have to settle for less desirable jobs, whose wages are in turn driven lower by higher levels of competition from others in a similar situation.<sup>45</sup>

A less overt but perhaps more common type of bias in the labor market is statistical discrimination, which refers to the tendency of employers to use generalizations in their hiring practices. Employers basically lower their cost of searching for employees by using easily identifiable characteristics, such as sex or race, to predict job performance instead of determining an individual's actual skill. This reliance on stereotypes is inherently unfair because individuals are judged not according to their ability but based upon their appearance. Shelly Lundberg and Richard Startz note that this can lead to actual differentials in skills if minority group members invest less in their education or training because they feel this type of investment would not be rewarded.<sup>46</sup>

Racial and ethnic minority groups in multicultural nations around the globe often struggle to obtain equal access to resources, such as jobs, education, and health services. In the United States these conflicts have a long history, though their scope and nature have changed over time. African Americans, Asian Americans, Hispanics, Native Americans, and even many white ethnic groups, such as Jews and the Irish, have all had to cope with limited opportunities, though their experiences have qualitatively differed. Below I discuss the experiences of some of these groups in more detail.

#### *African American Poverty*

The official poverty rate among African Americans was 27.6 percent in 2011, up from its historical low of 22.5 percent in 2000. This 2011 figure was substantially above the national poverty rate of 15.0 (see figure 17). The relatively high black poverty rate is a function of lower black employment levels, wages, and differences in family structure (the last is discussed below). The black unemployment rate in January of 2012, for example, was 13.6 percent—nearly double the white unemployment rate of 7.4 percent.<sup>47</sup> The median earnings of black men and women working full time were \$633 and \$592 in 2010, respectively—considerably lower than the earnings of white men and women working full time, at \$850 and \$684.<sup>48</sup> Disparities in wealth are even starker.

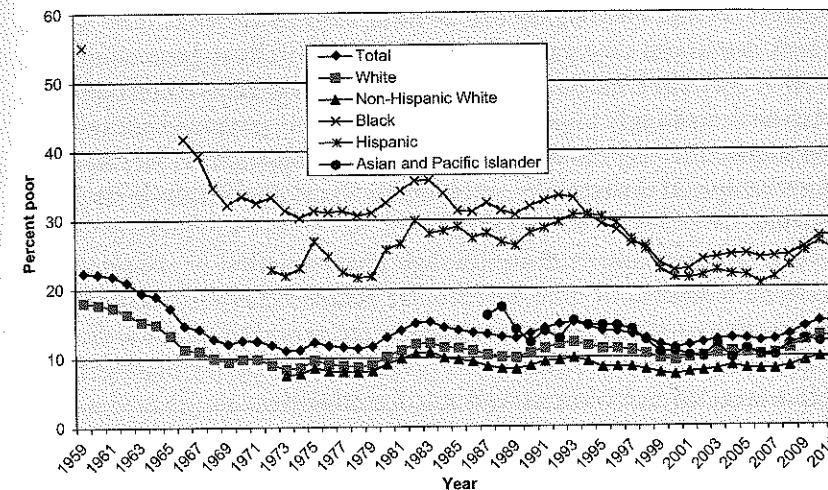


FIGURE 17. Official Poverty Rates by Race and Hispanic Origin, 1959–2011. SOURCE: U.S. Census Bureau 2012f.

The median net worth of white households was \$113,149 in 2009; for blacks, it was only \$5,677.<sup>49</sup>

African Americans, who comprised close to 13 percent of the U.S. population in 2010, historically had to contend with acute forms of discrimination, including a severely constrained labor market throughout the nineteenth century and into the twentieth. After the abolition of slavery during the Civil War, blacks in the South often worked as sharecroppers, primarily because they were barred by law or custom from most other full-time jobs outside the black community. In addition, under the Jim Crow system, most blacks who lived in cities were employed as common laborers or as domestic and personal servants. Opportunities for promotion and advancement were uncommon, if not nonexistent, for African Americans in these and other occupations.<sup>50</sup>

William Julius Wilson, among others, has argued that the traditional patterns of interaction between African Americans and whites in the labor market have fundamentally changed in recent decades, and that economic class position is now more important than race in determining success among African Americans.<sup>51</sup> From the antebellum period through the first half of the twentieth century, racial oppression was deliberate, overt, and easily observable, ranging from slavery to segregation. By the latter half of the twentieth century, many traditional barriers were dismantled as a result of the political, social, and economic



changes of the civil rights era. Wilson emphasizes that it is not so much that racial segregation and discrimination have been eliminated as that they have become less rampant, whereas economic conditions play an increasingly important role in determining black disadvantage. He argues that deindustrialization and class segregation in particular have hampered the economic mobility of less-skilled blacks in the labor market.<sup>52</sup>

Glenn Loury asserts that although discrimination in *contract*—the unequal treatment of otherwise similar people based on race in formal transactions—has declined drastically in the period since 1965, discrimination in *contact* remains more prevalent. The latter highlights the importance of associations and relationships that are formed among individuals in social life as a vehicle for upward mobility. Discrimination in contact means that African Americans are not included in many of these useful social relationships, leading to lower levels of the social capital that is often crucial to achieving economic success.<sup>53</sup>

Empirical studies tend to show that the economic penalty of race—and of being African American in particular—has declined since the 1960s. Occupational mobility has increased, as has wage parity.<sup>54</sup> But because the level of employment discrimination is difficult to measure and quantify, it is difficult to say precisely to what extent discrimination still directly contributes to racial income disparities and poverty. Studies tend to indicate that discrimination still occurs in labor markets and in other areas. For example, paired-test studies, in which minority job applicants were paired with white applicants with similar backgrounds and trained to be as similar as possible in behavior, have shown that minorities, particularly African Americans and foreign-sounding Latinos, were less likely to receive job interviews and offers, at least in the low-wage labor market.<sup>55</sup> Economists have estimated that perhaps one-quarter of the black-white wage gap is due to prejudice, suggesting that racism continues to contribute to African American economic disadvantage.<sup>56</sup>

Other factors—some related to race and others nonracial in origin—have also contributed to relatively high levels of African American poverty. One of the former is racial residential segregation. Douglas Massey and Nancy Denton have argued that segregation, interacting with economic forces, reinforces minority poverty by limiting minority individuals' access to the potentially broad range of metropolitan area employment opportunities.<sup>57</sup> Since a significant portion of school funding comes from local taxes, segregation can serve to reinforce educa-

tional inequalities as well. High levels of segregation may contribute to ethnic stereotypes that give rise to discrimination in employers' hiring patterns and contribute segregated job referral networks.<sup>58</sup> Declining levels of black segregation in recent decades and rapid black suburbanization have likely reduced the effects of segregation in contributing to racial inequalities over the past couple of decades. However, many cities—particularly some in the Northeast and Midwest such as Chicago, New York, Detroit, and Milwaukee—still have very high levels of black segregation.<sup>59</sup>

Two economic factors less directly associated with race that have contributed to black disadvantage are the decline in the strength of unions and deindustrialization. Black women had benefited from public sector unionism in particular, and black men benefited from industrial unionism in the post-World War II period.<sup>60</sup> African Americans have been especially affected by deindustrialization because, as late as the 1968–70 period, more than 70 percent of all blacks working in metropolitan areas held blue-collar jobs at the same time that more than 50 percent of all metropolitan workers held white-collar jobs.<sup>61</sup>

Another factor that contributes to higher poverty rates among African Americans is human-capital skills differentials. This refers to differences in average levels of education, quality of educational opportunities, and subsequent work experience and skills. The gap in average levels of education has declined over the past few decades. Nevertheless, the quality of schooling received by children in the United States varies widely, and African Americans are more likely to attend inferior schools with fewer resources. Lower employment levels among young African Americans subsequently contribute to earnings differentials. High black incarceration rates (black men are eight times more likely to be incarcerated than white men) means that a relatively high proportion of young black men enter the labor force with a criminal record, which further hinders their employability.<sup>62</sup>

Thus, some have emphasized that poverty often persists across generations because of *cumulative disadvantages*. This means there is no single "cure" for poverty, and this also helps explain why poverty among African Americans has been slow to decline.<sup>63</sup> Even as race has become less important in American society, economic inequality and class background have become more important. As a result, although we have seen considerable growth in the black middle class in recent decades,<sup>64</sup> the economic challenges faced by poor African Americans remain daunting.

### *Poverty among Other Minority Groups*

Some of the factors that have hampered African American economic well-being, such as discrimination, segregation, and human capital differentials, have historically also affected other minority groups, including Latinos, Asian Americans, and Native Americans.

Hispanics have a long history in the United States, dating at least as far back as the annexation of territory in Florida in the early 1800s and, in 1848, huge swaths of land from Mexico extending from Texas westward to California. Mexican Americans were often treated as second-class citizens in these territories. In more recent decades, there has been a growth in the population of Hispanics from other areas of Latin America, including Puerto Rico, Cuba, and the Dominican Republic.

Asians historically suffered discriminatory treatment in immigration policies limiting their arrival. The 1882 Chinese Exclusion Act barred the immigration of Chinese laborers, and immigration from Japan was completely halted in 1924. By the early decades of the twentieth century, Japanese and Chinese immigrants were denied citizenship and voting rights and were prevented from joining most labor unions. Through intimidation and discrimination, whites limited the economic achievement of Asian Americans.<sup>65</sup> Asians today have many origins, including China, the Philippines, India, Vietnam, and Korea.

Latinos and Asian Americans thus share certain commonalities: both have historically been discriminated against, both experienced substantial increases in their population due to immigration since the 1960s, and are both very heterogeneous in terms of their national origins. The increase in immigration from non-European countries—and especially from Asia and later Africa—is a direct consequence of the passage of the Immigration and Nationality Act of 1965, also known as the Hart-Celler Act. This act eliminated the discriminatory national quota system that favored Northern and Western Europeans and opened immigration to a wider variety of countries. A surge of immigration from Asia followed the passage of the act. Immigration from a wide array of countries and from Africa also broadened some years later. Latin American immigration, which was never subject to formal quotas until the passage of the act, nevertheless gradually increased in the post-World War II period, and this increase continued through the 1960s and the decades after.<sup>66</sup>

As a consequence, the percentage of all immigrants who were from Europe was only 12 percent in 2010, down from 86 percent in the 1900–1920 period. The share of immigrants from Asia grew from

4 percent to 28 percent and from Latin America from 10 percent to 53 percent over the same time period. Although the percentage of all immigrants from Africa in 2010 was relatively small (4 percent), the number of African immigrants has nevertheless been growing rapidly in recent years.<sup>67</sup>

As was indicated in figure 17 above, poverty rates vary widely across these racial and ethnic groups. The Latino poverty rate of 25.3 percent was twice as high as the Asian poverty rate (12.3 percent) in 2011. Differences in the characteristics of the immigrants coming to the United States and in the levels of education of immigrants and native-born people of each of the two groups explain many of these differences. Immigration plays a large role for both Asians and Hispanics because nearly two-thirds of Asians are foreign-born, as are about 40 percent of Hispanics.<sup>68</sup> Many more are of the second generation.

Immigrants typically have different labor force outcomes than natives. On the one hand, immigrants are often a “select” group of people who frequently possess qualities such as ambition and eagerness to learn that are helpful in achieving economic success. On the other hand, limited language proficiency and unfamiliarity with American customs and the labor market considerably hinder immigrant economic mobility, especially in the years immediately after arrival. Overall, immigrant families are at greater risk of poverty than nonimmigrant families. Yet over time and subsequent generations, labor market barriers become less important. Immigrants and then their children become more similar to the native-born population in terms of their employment, earnings, English-language fluency, fertility, and poverty the longer they have been in the United States.<sup>69</sup> This process is often termed “assimilation.” The fact that levels of immigration have been quite high in recent decades has put a modest upward pressure on national poverty rates, at least in the short run, because of high poverty rates among immigrants themselves. Immigration may have also put some downward pressure on the wages of less-educated natives (those without a high school diploma) through labor market competition, though immigration has had little effect on the wages of others.<sup>70</sup>

Table 5 illustrates patterns of poverty by race/ethnicity and nativity. While the overall poverty rate in 2011 was 15.0 percent, it was moderately lower among the native born (14.4 percent) than the foreign born (19.0 percent). We see considerable variation among the foreign born by citizenship status: the poverty rate among naturalized citizens was only 12.5 percent, versus 24.3 percent among noncitizens.<sup>71</sup> Naturalized citizens

TABLE 5 POVERTY RATES BY NATIVITY AND RACE AND HISPANIC ORIGIN, 2011

	Percent poor
Total population	15.0
Native born	14.4
Foreign born	19.0
Naturalized citizen	12.5
Not a citizen	24.3
White	12.8
Native born	11.9
Foreign born	20.8
Naturalized citizen	13.5
Not a citizen	25.8
Black	27.6
Native born	28.0
Foreign born	23.5
Naturalized citizen	19.8
Not a citizen	26.9
Asian	12.3
Native born	11.6
Foreign born	12.7
Naturalized citizen	8.1
Not a citizen	18.2
Hispanic (of any race)	25.3
Native born	25.8
Foreign born	24.4
Naturalized citizen	15.6
Not a citizen	28.7

SOURCE: U.S. Census Bureau 2012a.

have low poverty rates for a few reasons. They have lived in the United States for at least five years (often considerably longer) in order to become citizens, and thus they are much more likely to be acculturated to the English language, American customs, and the workings of the U.S. labor market. Their poverty rates are lower than even among the native born, perhaps because, like immigrants more generally, they often possess qualities such as ambition and eagerness to learn that are helpful in achieving success. In addition, immigrants who become naturalized citizens have higher levels of education than the native-born population. For example, while 30 percent of the native population twenty-five years old and over had a bachelor's degree or more in 2010, the corresponding figure among natu-

ralized citizens was 35 percent. In contrast, noncitizen poverty rates are higher than others because many of them are recent immigrants and still unaccustomed to the United States, and they may not have the legal status to access the full range of economic opportunities and government benefits available to citizens. They also have lower levels of education: only 24 percent had a bachelor's degree or more in 2010.<sup>72</sup>

These general patterns hold especially for Asians and Hispanics, where noncitizens have the highest poverty rates and naturalized citizens have the lowest. The main difference between the two groups is that Hispanic poverty rates are considerably higher than Asian ones among all subgroups. The pattern by nativity and citizenship differs only slightly for whites, where the native born have a slightly lower poverty rate (11.9 percent) than naturalized citizens (13.5 percent). However, the pattern for blacks differs. As with Asians and Hispanics, foreign-born blacks who are naturalized citizens have a lower poverty rate (19.8 percent) than noncitizens (26.9 percent). However, among blacks, even noncitizens have a lower poverty rate than native-born blacks (28.0 percent). Among other factors that could be at work here, black immigrants have higher levels of educational attainment and are much less likely to be in a single-parent family than native-born blacks, and this serves to lower poverty among the foreign-born black population.<sup>73</sup>

Back to the general issue of differences in poverty across racial/ethnic groups, these figures suggest that immigrants from Asia tend to comprise a more "select" group than immigrants from Latin America. Immigrants from Korea, India, and the Philippines exhibit higher average levels of education than both Latinos and native-born whites. For example, four-fifths of immigrants from India have a bachelor's degree or more, compared with 6 percent from Mexico.<sup>74</sup> One factor explaining these differences is that while many immigrants from Asia become eligible to migrate to the United States because of their work-related skills, a larger proportion of immigrants from Latin America immigrate because they have relatives who are U.S. citizens.<sup>75</sup>

It is of course important to note that poverty also varies considerably by country of origin among immigrants; not all Asian and Hispanic subgroups are similarly advantaged or disadvantaged. Among foreign-born Hispanics, for example, poverty rates in 2007 (before the spike in poverty rates in the Great Recession) were high among Dominicans (28 percent) and Mexicans (22 percent) but more moderate among Cubans (16 percent) and Colombians (11 percent). Among Asian immigrant groups, poverty rates were a little higher for Koreans (17 percent) and

lower for immigrants from Japan (9 percent), India (7 percent), and the Philippines (4 percent).<sup>76</sup> Many of these differences are likely rooted in the average characteristics of the immigrants themselves (especially educational attainment), though each group has a unique history of immigration to the United States.

As discussed above, initial disadvantages tend to persist over time and across generations. Native-born Hispanics obtain on average higher levels of education than immigrant Hispanics, but their educational levels still lag behind those of native-born whites, largely because of their lower initial level of family resources.<sup>77</sup> In contrast, native-born Asian Americans tend to have high levels of education, which translate into better jobs, higher incomes, and less poverty. In 2010, the median income of Asian households was \$64,208—considerably higher than the median household incomes of non-Hispanic whites (\$54,620), Hispanics (\$37,759), and blacks (\$32,068).<sup>78</sup> Asian Americans have also gained greater access to high-tier technical and professional occupations. Once family characteristics are taken into account, there is little difference in the poverty rates between native-born Asians and native-born non-Hispanic whites.<sup>79</sup> Latinos, however, are less likely to have a college degree and tend to work in lower-skill, lower-wage jobs.

The research literature does not offer a definitive answer as to the extent of racial/ethnic discrimination faced by Asians and Latinos in the labor market. For Asians, it is probably safe to say that discrimination is not widespread enough to significantly affect their levels of poverty. For Latinos, especially lighter-skinned individuals, it is likely that family background characteristics (such as education and income) play the most prominent role and ethnicity a more minor one. Race appears to continue to play a significant role in explaining lower wages and higher poverty among blacks and perhaps darker-skinned Latinos.<sup>80</sup>

The experience of Native Americans differs from that of all of the other groups. In addition to historically being forcibly removed from their land to reservations, Native Americans have had to overcome a dearth of job opportunities in and around reservations as well as low levels of educational attainment. The poverty rate among Native Americans in 2011 was 29.5 percent, a little higher than African American and Latino poverty rates.<sup>81</sup> Some evidence indicates a decline of the net negative effect of being Native American on wages over the last half of the twentieth century.<sup>82</sup> However, Native Americans still have lower levels of educational attainment and earnings than otherwise comparable whites. It is not clear whether it is discrimination

or other difficult-to-observe factors correlated with being Native American that explain these differences.<sup>83</sup> Quantitative research on Native Americans tends to be more limited than that on other groups, in part due to the relatively small Native American population. Additional research on Native Americans, not to mention the other groups, would help shed further light on the complex interrelationship between race and poverty.

Overall, we see significant differences in poverty by race/ethnicity. Some of the continuing differences, particularly among blacks and perhaps Native Americans, can be explained by prejudice, stereotypes, and discrimination. However, most research has indicated that the importance of race alone in determining life chances has declined substantially in recent decades. The civil rights movement abolished legal forms of racial and ethnic discrimination, and whites are less likely to express blatantly racist attitudes than they did in past decades.<sup>84</sup> Nevertheless, as the salience of race has declined, the importance of socioeconomic background has increased. For example, although the black-white reading gap was substantially larger than the rich-poor reading gap in the 1940s, by the 2000s the reverse was true.<sup>85</sup> Unfortunately, the increasing importance of socioeconomic background serves to slow progress in reducing racial disparities, as initial disadvantages among groups have a way persisting across generations (see chapter 3 for more on the intergenerational transmission of poverty).

### *Gender and Poverty*

The term *feminization of poverty* was coined by Diana Pearce in a 1978 article in which she argued that poverty was “rapidly becoming a female problem.”<sup>86</sup> The term gained further currency in the 1980s and early 1990s. Women’s poverty rates were 55 percent higher than men’s in 1968, then peaked at 72 percent higher in 1978. The differential has gradually narrowed, such that by 2011, the female poverty rate (16.3 percent) was only moderately (20 percent) higher than the male poverty rate (13.6 percent). Women comprised from 57 to 58 percent of the poverty population over the 1966 to 2000 period, before declining to 56 percent in 2011.<sup>87</sup> Overall, the empirical claim for an accelerating “feminization of poverty” is weak, though female poverty rates do remain higher than those of men.<sup>88</sup>

Women tend to have higher poverty rates than men for two main reasons: 1) their employment levels and wages are lower, and 2) they

are more likely to be the heads of single-parent families (discussed below).<sup>89</sup> Elderly women are also more likely to be poor than elderly men because of fewer economic resources—such as less Social Security income—but also because of higher female life expectancies, which make elderly women more likely to live alone than men.<sup>90</sup>

Many have argued that women's lower economic status reflects the unequal distribution of power in society. Men have historically excluded women from many kinds of jobs and limited women's social roles more generally. Labor market discrimination is a manifestation of unequal power. First, discrimination occurs when men are paid more than women for the same work. Second, discrimination contributes to occupational sex segregation—where men and women are highly concentrated in different types of jobs. The result is that women's work is typically accorded both lower status and lower earnings than occupations with high concentrations of men.<sup>91</sup>

Inequality in the labor market may also occur due to common social practices or discrimination prior to a person's entrance into the labor market, such as in the education system or in the family. For example, girls have traditionally been socialized into family-oriented roles, while boys and young men have been expected to build careers that pay enough to support a family.<sup>92</sup>

Gender norms have changed over time. The women's rights movement that took flight in the 1960s pressed for more equal treatment in the workplace, such as in the form of equal pay for equal work, and for the easing of gender roles that limited women's opportunities in society at large. Until that time women were rarely in positions of power—whether in private business or politics—nor were they represented in a wide range of professional occupations, such as lawyers, judges, doctors, professors, or scientists. For a while, progress in reducing inequalities seemed slow. Figure 18 shows the change in the female-to-male ratio of earnings since 1960. It relies upon a common indicator of the gender wage gap, women's median annual earnings as a percentage of men's among full-time, year-round workers. While the ratio of earnings did not budge (remaining at close to 60 percent) over the period from 1960 to 1980, it finally began to increase thereafter. By 2011 such women earned 77 percent of what men earned.<sup>93</sup>

Why does some gap still remain? In contrast to the blatant gender discrimination that occurred in the past, the gap today is probably best explained by gender socialization and women's resulting weaker attachment to the labor market. A greater percentage of women than men still

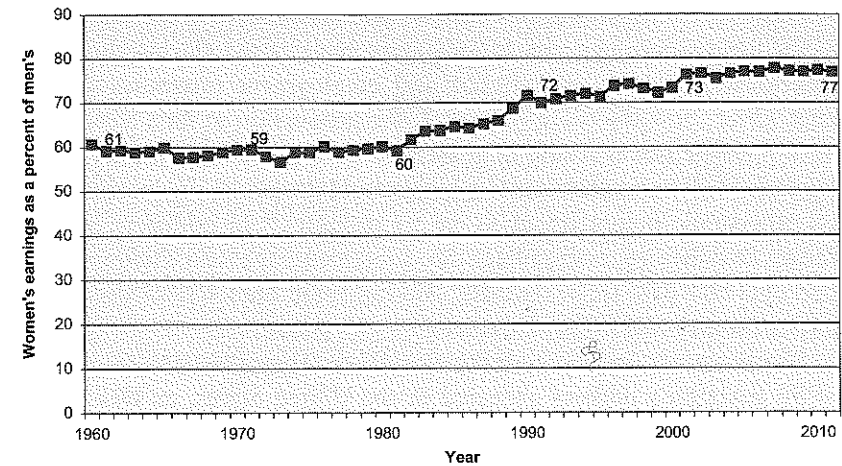


FIGURE 18. Women's Median Annual Earnings as a Percentage of Men's Earnings for Full-Time, Year-Round Workers, 1960–2011. SOURCE: U.S. Census Bureau 2012n.

tend to leave the labor force for childbirth, child care, and elder care. As of 2009 about a quarter of married-couple households with children had a stay-at-home mother, down from 44 percent in 1969.<sup>94</sup> Stay-at-home dads have until recently been viewed as oddities, and this arrangement is still relatively rare. This leads to a lower accumulation of human capital and hence lower pay for women. Similarly, working mothers tend to value workplaces that have “family-friendly” policies; many of these offer less pay, if perhaps better fringe benefits. One study estimated that once many of these factors are taken into account, the gender wage gap is reduced to between 4.8 and 7.1 percent (rather than about 20 percent).<sup>95</sup> It is not clear what explains the remaining difference; it could, of course, reflect continued gender discrimination in the labor market or other harder-to-measure factors.

It is important to note that studies have noted that wage parity is also greater among younger women and men than among older workers. For example, one study found that women 16 to 34 years old make somewhere between 91 and 95 percent of what men make, even without taking into account the wide array of factors described above. In contrast, women above 35 years old earned between 75 and 80 percent of similarly aged men.<sup>96</sup> Some of the movement toward gender inequality has been the result of a gradual process of “cohort replacement,” where younger women are taking on new roles and earning more in the labor market than their mothers.<sup>97</sup>

Some recent trends suggest that we will continue to see a narrowing of the gender earnings gap. In fact, some have raised alarms about the deterioration in the educational and employment outcomes among men. Over the 1969 to 2009 period, the proportion of men ages 25 to 64 who were not working increased by 11.8 percentage points (from 6 percent to 18 percent). Among high school dropouts, the increase was 23 percentage points (from 11 to 34 percent).<sup>98</sup> In addition, as was shown in figure 16, only college-educated men have seen their earnings rise over the past three decades. Among male high school dropouts, median weekly earnings plummeted by 38 percent.

Women now comprise half the workforce. They also earn 58 percent of all bachelor's degrees awarded in the United States, as well as 59 percent of master's degrees and about half of the doctoral degrees. Women are likewise awarded about half of law and medical degrees. The general educational advantage among women occurs among all racial and ethnic groups, but it is largest among blacks, where, for example, women earn 66 percent of all bachelor's degrees awarded.<sup>99</sup> These trends strongly suggest that women's relative economic position will rise in the coming years.

### Family Structure and Poverty

Family arrangements have become more diverse (and often more complicated) over the past several decades, as have the life course trajectories of individuals. Getting married before having a baby is no longer particularly normative. Whereas in 1940 only 2 percent of births were to unmarried women, by 2009 this figure had risen to 41 percent (see figure 19). Moreover, more than half of births to young women—those under 30—occur outside marriage. These percentages have been growing for all racial and ethnic groups. The proportion of all white births to unmarried women increased sharply over the past two decades, from 20 percent in 1990 to 36 percent in 2009. Among black women, increases occurred earlier; from 1970 to 1990 the percentage of births to unmarried black women jumped from 38 to 67 percent before gradually continuing to drift upward to 72 percent in 2009. In 2009, over half of Hispanic births (53 percent) were to unmarried women. Only among Asians is the corresponding figure is much lower; in 2009, it was 17 percent.<sup>100</sup> Indicative of the rising importance of class background in U.S. society, there is even greater variation by levels of education than by race: about 92 percent of women with a bachelor's degree or more

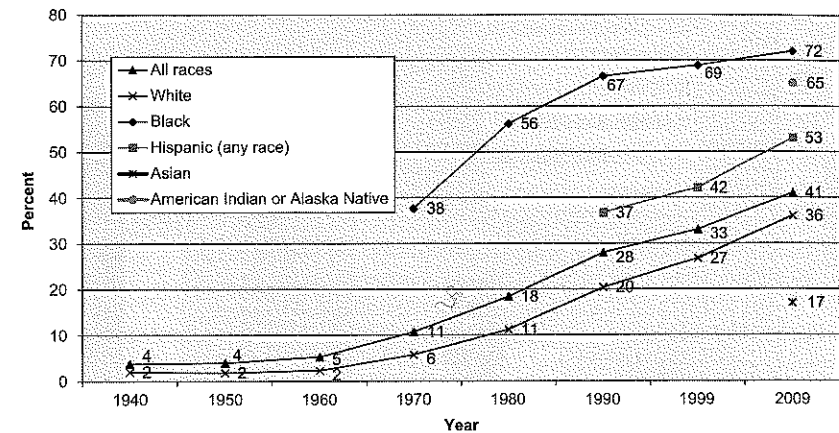


FIGURE 19. Percentage of Births to Unmarried Women by Race and Hispanic Origin, 1940–2009. SOURCE: Ventura and Bachrach 2000; Martin et al. 2011.

are married when they give birth, compared with 62 percent of women with some post-secondary schooling and 43 percent of women with a high school diploma or less.<sup>101</sup>

Complicating the picture, however, is the fact that much of the rise in nonmarital births in recent years has occurred among cohabiting couples. In fact, more than half of nonmarital births occur within cohabiting relationships, compared with 29 percent in the early 1990s.<sup>102</sup> Thus, the actual percentage of families headed by single women living alone (without a coresident partner of one sort or another) has not changed much since about 1995. As of 2010, 26 percent of all families, 21 percent of white families, 29 percent of Hispanic families, and 55 percent of African American families were headed by a single woman living with no other parent present in the household (i.e., no spouse or cohabiting partner).<sup>103</sup> While cohabiting couples in many ways resemble married families, such unions are nevertheless more than twice as likely to dissolve than marriages. About two-thirds of cohabiting couples split by the time their child turns ten, compared with 28 percent of married couples.<sup>104</sup>

The contribution of single parenthood to higher levels of poverty among African American families was discussed by E. Franklin Frazier in 1932 and 1939, Gunnar Myrdal in 1944, Daniel Patrick Moynihan in 1965, and many others since.<sup>105</sup> In recent years there has growing alarm at the growing number of children born to unwed white women as well, most notably in the 2012 book *Coming Apart* by conservative



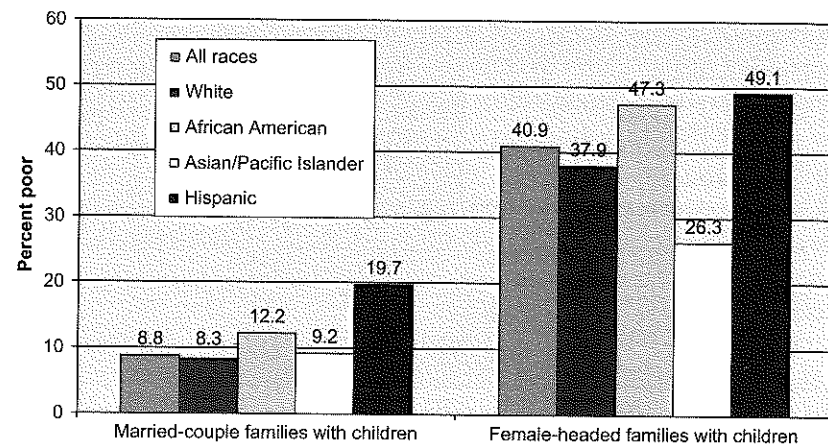


FIGURE 20. Poverty Rates of Families by Family Structure and Race and Hispanic Origin, 2011. SOURCE: U.S. Census Bureau 2012e.

commentator Charles Murray.<sup>106</sup> Numerous reasons have been offered for changing family formation patterns, including changes in social norms and the declining economic fortunes of men, issues that are discussed in more detail in the following section.

The crux of the problem with this general trend is that single-parent families with children headed by women are considerably more likely to be poor. While the poverty rate among married-couple families with children was 8.8 percent in 2011, it was 40.9 percent among female-headed families with children (see figure 20).<sup>107</sup> Poverty rates also vary by ethnicity, ranging from 8.3 percent among white married-couple families to 49.1 percent among Hispanic female-headed families with children. The poverty rate for people in female-householder families has declined—from 60 percent in 1959 to 44 percent in 1970 to a low of 33 percent in 2000 before edging up thereafter.<sup>108</sup>

Poverty is high among female-headed families for several reasons. Single mothers (and fathers) often face the challenge of supporting a family on one income, as well as finding and paying for child care while they work and running a household alone when they do not. Children add to living costs but usually do not contribute to family income. Lower average levels of education among women who head such families also contribute significantly to their lower earnings.<sup>109</sup> Furthermore, as discussed above, women tend to earn less than men, and mothers tend to accumulate less experience than other workers.<sup>110</sup> Finally, many such families do not receive sufficient child support from the children's

absent fathers.<sup>111</sup> However, research tends to show that even if all families received the full amount of child support due them, poverty rates would decline only a little. While many fathers deliberately evade their child support obligations, others simply earn too little to pay much.<sup>112</sup> It should be noted that even cohabiting couples also have significantly higher poverty rates than married-couple families, mainly because they have lower levels of education and are younger. For example, one study reported that while the poverty rate among children living with their married biological parents was 7.6 percent, among children living with cohabiting biological parents the poverty rate was 23.2 percent.<sup>113</sup>

Low-income single parents (if not all low-income families) often have to make trade-offs. Child care in particular often raises daunting challenges. Some single parents handle this by taking jobs that allow them to work primarily at home or take their children with them. As one respondent reported in an ethnographic study by Kathryn Edin and Laura Lein:

I had a better job, an office job, but I left it for a job as a salesperson for a chemical manufacturer's rep—it was a perfect job because I didn't have [supervision]. My boss was in Atlanta, and I was here. So when the kids were real sick, I would stay home with them. If they were medium sick, I could take them with me in the car and drive around. When they started school, I was here to meet their bus everyday. Whatever paperwork or anything, I did at night. It didn't pay well, about \$5, but it gave me an opportunity not to have my kids feel abandoned.<sup>114</sup>

Similarly, in his book on the working poor, David Shipler describes the challenges faced by Caroline, a low-income woman with a daughter, Amber:

After a month the [temporary employment] agency tempted Caroline with a job back at the Tampax factory for \$10 an hour, the most she had ever earned. She took it, but there was a problem: Proctor & Gamble had organized the factory on rotating shifts. One week she left the house at 5:30 a.m. and got home at 2:30 p.m., the next week she left at 1:30 p.m. and was home by 10:30 p.m., and the third she left home at 9:30 p.m. and returned at 6:30 a.m. Putting aside the question of sleep, stamina, and the basic requirements of an orderly life, the "swing shifts," as they were called, raised havoc with Caroline's arrangements for Amber. She had rented rooms to boarders occasionally or taken in homeless families so Amber wouldn't be alone. But these situations never lasted long; Caroline found the people intrusive or bossy or dishonest. . . . Without the boarders, though, Caroline had nobody to look after Amber, so she very reluctantly left the girl home alone during her evening and nighttime shifts. While Caroline was running the machines that put tampons into boxes, she was worrying about Amber, and with good cause.<sup>115</sup>



Some studies suggest that changes in family structure played a significant role in growing child poverty rates from the early 1970s through the mid-1990s due to the aforementioned declines in the proportion of children living in married-couple families during that time.<sup>116</sup> Yet the poverty rate among female-headed families declined in the 1990s, mainly because of very substantial increases in the employment of single mothers. The greatest rise in employment among such mothers occurred in the 1990s, coinciding with changing welfare policies that make it more difficult to receive benefits without working. The employment rate of never-married mothers, who were the most likely to have little education or job experience and long stays on welfare, rose from 43 percent in 1992 to 65 percent in 1999.<sup>117</sup> However, reflecting more recent increases in poverty rates among female-headed families, the percentage of single mothers who were employed fell from 76 percent in 2000 to 73 percent in 2007, and then to 68 percent in 2009 in the wake of the Great Recession.<sup>118</sup>

Cross-national comparisons suggest that while single-parent families are more vulnerable to poverty than others, their poverty rates are nevertheless not inherently extremely high. Using a relative poverty line equaling 50 percent of the national median income, the poverty rate in the mid-2000s for children in single-mother families in Sweden, for example, was 10.4 percent. For children in single-father families it was 5.9 percent, and in two-parent families it was 3.3 percent. The corresponding figures in the United States using this relative measure were 50.5 percent, 19.5 percent, and 13.1 percent.<sup>119</sup> High employment rates among women, lower general wage inequality in the labor market, and generous government transfer policies help explain these low poverty rates in single-parent families in Sweden.<sup>120</sup> Nevertheless, in the twenty countries included in this study, poverty rates in single-mother families tended to be considerably higher than among two-parent families. Relative poverty rates in single-parent families in Anglophone countries (Australia, Canada, Ireland, the United Kingdom, and the United States) averaged 41 percent, compared to 10 percent in two-parent families. Even in lower-poverty countries in continental Europe (Austria, Germany, Luxembourg, the Netherlands, and Switzerland), relative poverty rates among single-mother families averaged 27 percent, compared to 8 percent among two-parent families.<sup>121</sup> What, then, explains the rising prevalence of single-parent families in the United States, and indeed in many rich countries around the world? We now turn to this debate.

### *Culture and Poverty*

*Culture* is often a politically loaded term in discussions of poverty. It has at times been invoked to “blame the victim,” or to blame poor people for their poverty because of their supposed wayward values and lifestyles, such as their sexual promiscuity, criminal behavior, or drug use. Culture is hard to define and likewise difficult to measure. Today, the view that cultural behavior contributes to poverty differentials tends to be associated with conservative commentators, though this has not always been the case.

In the 1920s, a number of sociologists from the University of Chicago and their students began to focus more systematically on the effect of social disorganization on poor people. Poverty was thought to result from temporary “cultural breakdown” that occurred in many immigrant and, in the case of African Americans, migrant communities in urban and industrial cities. The breakdown of social controls and customs led to increased crime, out-of-wedlock births, family breakup, and economic dependency.<sup>122</sup>

Following the lead of Booker T. Washington (in 1902), sociologists such as Gunnar Myrdal (1944) and E. Franklin Frazier (1932, 1939), in adopting these arguments, were debunking the idea that the poor—and poor African Americans in particular—were genetically inferior.<sup>123</sup> They traced the roots of racial inequality to a wide range of factors, including racism and discrimination, which helped produce a deviant cultural response. Frazier, for example, saw “Negro matriarchy” as an accommodation to slavery and black male joblessness, and therefore a common feature of lower-class culture and poverty.<sup>124</sup> Similarly, other progressives at the beginning of the twentieth century deemphasized the notion that southern and eastern European immigrants were genetically inferior by arguing that immigrants needed to be Americanized and adapt to mainstream American values and culture.<sup>125</sup>

In the two decades after World War II, however, there was greater discussion of a culture of poverty without reference to broader social and economic conditions. These arguments echoed nineteenth-century beliefs about the “undeserving” poor. Oscar Lewis, quoted at the beginning of this chapter, was a strong promoter of the culture of poverty thesis. Lewis believed that the poor contribute to their own impoverishment and identified seventy behavioral traits that distinguish the poor.<sup>126</sup> In the late 1950s, Edward Banfield asserted, “The lower-class person lives from moment to moment, he is either unable or unwilling to take

into account the future or to control his impulses . . . being improvident and irresponsible, he is likely also to be unskilled, to move frequently from one dead-end job to another, to be a poor husband and father."<sup>127</sup>

Recent observers who have adopted this view—that the poor are essentially different, governed by their own code of values and behavior—tend to emphasize that wayward government policies aimed at helping the poor are often responsible for their degraded position. The argument goes that in the post-Great Society era of the 1960s, high welfare benefit levels provided work disincentives and encouraged dependency. The resulting culture of poverty consists of an eroded work ethic, dependency on government programs, lack of educational aspiration and achievement, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse.<sup>128</sup> Policy did not reward good behavior and did little to penalize harmful behavior. All of these problems in turn have an adverse effect on patterns of income and poverty, producing a vicious cycle of multigenerational dependency, especially in neighborhoods with high poverty levels. Charles Murray has been the most effective proponent of this view, and the debate of these issues contributed to the passage of welfare reform in the mid-1990s, which ended a system of guaranteed cash transfers to poor female-headed families as long as they remained poor.<sup>129</sup>

The debate on this issue is far from over. At the risk of oversimplification, there are two basic camps. On the one hand are those who continue to invoke the preeminence of culture in explaining high rates of single motherhood, and thus disadvantage, among a large swath of Americans. In his most recent book, *Coming Apart: The State of White America, 1960–2010*, Charles Murray focuses on whites, in part to avoid a potentially racially tinged debate and to focus on fairly striking recent trends in births to unmarried white women (see figure 19 above). He argues that cultural norms in America have sharply diverged since the early 1960s.

Specifically, today we have a group consisting of affluent, highly educated whites who overwhelmingly decide to get married before having children and who live in residential enclaves surrounded by like-minded people. They value marriage, diligence, honesty, and religiosity, and this allows them to enjoy secure and affluent lives. Their choices are also a function of their higher cognitive abilities, which allow them to plan ahead and envision the consequences of their actions. The second group is the less-educated lower class, which has experienced an erosion of family and community life, and where having children outside marriage has

become the norm. Murray attributes the declining fortunes of the lower class to the corresponding decline in traditional values that emphasize marriage, honesty, hard work, and religiosity. This population finds itself at or near the bottom of the economic ladder because its members, on average, have less cognitive ability—and are thus more poorly equipped to resist the lure of the sexual revolution and doctrines of self-actualization. They live in different neighborhoods than the elite and therefore lack appropriate role models. They thus succumb to higher rates of family dissolution, nonmarital births, nonwork, and criminality. Murray further takes liberal elites to task because they do not do enough to publicly defend and affirm the traditional values to which they personally subscribe, and this has served to both exacerbate growing class divisions in society and will lead inexorably to America's decline unless this unhealthy dynamic is reversed.<sup>130</sup>

There are those who vehemently disagree with Murray's analysis and instead focus on economic trends as underpinning the growth in nonmarital births. Specifically, marriage has historically been an economic or social arrangement between families (rather than just individuals), often to ensure their survival. The modal family arrangement in industrialized countries in the nineteenth and much of the twentieth century was one of specialization: the husband earned his wage working outside the home while the wife focused on home production, taking care of household work and raising the children.<sup>131</sup>

In recent decades, this line of thinking asserts, the decline in job opportunities for low-skill workers—a consequence of deindustrialization, globalization, and the decline in unionism—is the main driver of declining marriage rates and growing income inequality in America, not changes in culture. Less educated men, whose wages have indeed declined substantially in recent decades, have been particularly harmed by the transformation of the economy. This has led to a reduction in the number of "marriageable" men. Women, whose educational attainment and labor force participation has continued to increase, see fewer reasons to get married.<sup>132</sup>

In elucidating this view—and as a response to Murray—columnist Nicholas Kristof writes:

Eighty percent of the people in my high school cohort dropped out or didn't pursue college because it used to be possible to earn a solid living at the steel mill, the glove factory or sawmill. That's what their parents had done. But the glove factory closed, working-class jobs collapsed and unskilled laborers found themselves competing with immigrants. . . . So let's get real. A crisis is

developing in the white working class, a byproduct of growing income inequality in America. The pathologies are achingly real. But the solution isn't finger-wagging, or averting our eyes—but opportunity.<sup>133</sup>

A fair reckoning of these two arguments—one economic and one cultural—is that both have elements of truth to them. Below I draw extensively from an excellent review of the social scientific literature on the reasons behind the rise in nonmarital births by longtime family researcher Pamela Smock and her coauthor Fiona Rose Greenland.<sup>134</sup> They note that unmarried couples with children articulate at least three perceived obstacles to marriage: concerns about financial stability, relationship quality, and fear of divorce, with financial concerns often the paramount issue.<sup>135</sup> Women (and men) value marriage and aspire to it, but, because of fears about divorce, they believe that marriage should occur after financial stability is achieved. Low-income women, because of their low earnings expectations, have less to lose by having children early and outside marriage; they also place a very high value on children as adding meaning to their lives.<sup>136</sup> In addition, good mothering is seen by this group as something that does not require tremendous resources, as it basically involves being there for the children—an approach to parenting that differs from that of the middle class.<sup>137</sup>

Sociologist Andrew Cherlin has noted that the symbolic importance of marriage has increased over time, and it now represents achievement and signifies prestige. Americans also expect more from marriage in the form of emotional fulfillment and as a means of self-actualization than they did previously, when it was generally seen as an arrangement for practical support. In essence, whereas economic struggle during the early years of marriage was a normative assumption in an earlier era, nowadays there is a widespread perception that marriage should occur after financial goals have already been reached, perhaps to help ensure its stability in a era of high divorce rates. As a result, low-income women generally view marriage as something to which to aspire, whereas parenthood is attainable regardless of financial stability or marital status.<sup>138</sup> The declining economic fortunes of low-skill men, and indeed the growth of income inequality, has made marriage seem less attainable.

Smock and Greenland also note that cohabitation offers a marriage-like relationship with many of the same advantages of marriage, such as companionship, shared expenses, sexual access, childbearing, and child rearing. With cohabitation available as an increasingly normative option, the incentive to get married has declined. This helps explain rapid increases in cohabitation in recent years.

A news story on rising nonmarital births in the United States offered the following anecdote that would seem to support this view, and which highlights the importance of both economic conditions and the role of values and norm, and hence culture:

Over the past generation, Lorain lost most of two steel mills, a shipyard and a Ford factory, diminishing the supply of jobs that let blue-collar workers raise middle-class families. More women went to work, making marriage less of a financial necessity for them. Living together became routine, and single motherhood lost the stigma that once sent couples rushing to the altar. Women here often describe marriage as a sign of having arrived rather than a way to get there.

Meanwhile, children happen.

Amber Strader, 27, was in an on-and-off relationship with a clerk at Sears a few years ago when she found herself pregnant. A former nursing student who now tends bar, Ms. Strader said her boyfriend was so dependent that she had to buy his cigarettes. Marrying him never entered her mind. "It was like living with another kid," she said.

When a second child, with a new boyfriend, followed three years later—her birth control failed, she said—her boyfriend, a part-time house painter, was reluctant to wed.

Ms. Strader likes the idea of marriage; she keeps her parents' wedding photo on her kitchen wall and says her boyfriend is a good father. But for now marriage is beyond her reach.

"I'd like to do it, but I just don't see it happening right now," she said. "Most of my friends say it's just a piece of paper, and it doesn't work out anyway."<sup>139</sup>

In short, many studies indicate that there has been a cultural shift in Americans' views of marriage and especially nonmarital childbearing. Although single parenthood is generally not something people aspire to—most would like to be in committed, fulfilling unions—it is nevertheless generally socially accepted when it occurs. There is greater emphasis today on self-expression and self-actualization than on community and conformity. Nevertheless, the decline in marriage and increase in nonmarital childbearing is also rooted in economic changes that have served to decrease the employment and earnings of men with less than a college degree at the same time as the employment and earnings of women have increased. The traditional economic foundations of marriage seem less applicable today than in the past. Thus, while people of all income levels still value marriage, for many—especially those who are poor or otherwise struggling financially—it seems out of reach.

## CONCLUSION

All too often people assume that personal traits are the sole determinants of economic well-being, and they overlook the impact of the social and economic environment. This is not surprising given that it is often difficult to recognize how structural forces affect our daily lives. Sociological concepts such as class, status (social group differences), and party (policy) are helpful for understanding how stratification systems evolve. This chapter focused on the first two concepts by examining how economic and social factors determine levels and patterns of poverty in the United States.

Economic growth tends to drive down absolute poverty rates. As standards of living rise, more people earn incomes above the poverty line. However, income inequality—which often results both from the ordinary workings of a market system in which the accumulation of assets is the goal and from economic shifts and instability—may at times impede the positive impact of economic growth. If only the rich benefit from growth, then growth will have little impact on poverty. Increasing inequality since the 1970s has inhibited progress against poverty since that time.

Social stratification by race and gender helps explain why some groups of people are more likely to be poor than others. Notably, however, the effect of social stratification along these group lines declined significantly over the last half century, due in large part to a decline in discrimination, especially in its overt forms. Today, past poverty, economic dislocation, wealth differentials, and family instability are barriers at least as important as racism and discrimination in producing higher poverty rates among African Americans, Hispanics, and Native Americans. (The poverty rate among Asians is similar to the white poverty rate.) Nevertheless, despite this progress, racial and ethnic antipathy and discrimination—particularly toward African Americans—have not disappeared altogether. Moreover, the simple lifting of many barriers to opportunity does not mean that equality is immediate or automatic given the growing importance of family socioeconomic background on one's life chances.

Changing patterns of family formation also affect trends in poverty in the United States. Female-headed families are more likely to be poor because women who are householders face the challenge of supporting a family on one income and often must pay for child care while they work. Lower levels of education among women who head such families

also contribute to their lower earnings. Furthermore, women tend to earn less than men, and mothers tend to accumulate less experience than other workers. Finally, many such families do not receive sufficient child support from the children's absent fathers. Cultural shifts in American society and the declining fortunes of men have both contributed to the decline in marriage, rise in cohabitation, and increase in nonmarital childbearing in recent decades.

56. Murray 1984; Mead 1992.
57. Wilson 1987, 14.
58. Jargowsky 1997, 183.
59. U.S. Census Bureau 2012j.
60. Frey 2011, 1.
61. Kneebone, Nadeau, and Berube 2011, 17.
62. Kneebone, Nadeau, and Berube 2011, 9.

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3. United Nations 2010.
4. World Bank 2012c.
5. Sachs 2005; Kates and Dasgupta 2007.
6. Dollar and Svensson 2001; Killick 1995.
7. Ravallion 2009.
8. World Bank 2012c.
9. Wallerstein 1974.
10. Firebaugh 2003, 15–30. See also Milanovic 2009.
11. Ravallion 2009.
12. Firebaugh 2003.
13. Swiss Agency for Development and Cooperation (SDC) 2000, 14–61.
14. Comelieu 2000, 74–95.
15. World Bank 2001, 45.
16. Duhigg and Bradsher 2012.
17. World Bank 2012b.
18. National Center for Health Statistics 2011, 124.
19. World Bank 2012b.
20. World Bank 2012a.
21. Kristof 2007.
22. Githongo 2011.
23. Sachs 2005, 56–66.
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36. See Rainwater and Smeeding 1995; Rainwater and Smeeding 2003.

37. See Mayer 1996, 109.
  38. Mayer 1996, 127–40. See also Bergstrom and Gidehag 2004.
  39. See Sen 1999.
  40. National Center for Health Statistics 2011.
  41. World Bank 2012b; World Bank 2012a.
  42. Corak 2006, table 1.
  43. Jantti et al. 2006, 16–17.
  44. Organization for Economic Cooperation and Development 2010, 17.
  45. Organization for Economic Cooperation and Development 2010, 10.
- See also Beller and Hout 2006, 30.
46. DeParle 2012.
  47. See also Jantti et al. 2006.
  48. Isaacs 2007, 30. See also DeLeire and Lopoo 2010.
  49. DeParle 2012.
  50. Beller and Hout 2006, 30.
  51. Isaacs 2007, 5–6. See also Organization for Economic Cooperation and Development 1996; Sastre and Ayala 2002.
  52. Zakaria 2011.

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2. Lichter and Crowley 2002, 19.
3. O'Connor 2001, 143.
4. Grusky 1994, 11.
5. Marx 1994a, 69–78.
6. Marx 1994b, 80–82.
7. Weber 1994a, 121.
8. U.S. Census Bureau 1993; U.S. Census Bureau 2010a.
9. U.S. Census Bureau 2011b.
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12. See, for example, Haveman and Schwabish 1999; Blank 1997a; Blank 1997b.
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17. Sugrue 1993, 88–91.
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25. Bureau of Labor Statistics 2011, 7.
26. Bluestone and Harrison 2000, 190-97.
27. Harrison and Bluestone 1990.
28. Krugman 2008.
29. Duhigg and Bradsher 2012.
30. Duhigg and Bradsher 2012.
31. Duhigg and Bradsher 2012.
32. Danziger and Gottschalk 1995, 130-31.
33. Bernstein et al. 2000; Bureau of Labor Statistics 2012c.
34. See Osterman 1999; Blank 2009, 77-78.
35. Duncan and Trejo 2011.
36. Congressional Budget Office 2011, xi.
37. Congressional Budget Office 2011, x-xii.
38. Interested readers should refer to Grusky's edited volume *Social Stratification in Sociological Perspective* for an in-depth discussion of these perspectives.
39. Weber 1994b, 128.
40. Blau, Duncan, and Tyree 1994, 317-29.
41. O'Hare 1996.
42. Price 1969.
43. Schiller 2001, 159-66.
44. See Bonacich 1972; Becker 1971.
45. Hogan and Pazul 1982; Piore 1994, 359-61.
46. Lundberg and Startz 2000, 273.
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62. Western and Wildeman 2009.
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72. U.S. Census Bureau 2011d.
73. Thomas 2011.
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75. Chiswick and Sullivan 1995, 211-70.
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78. DeNavas-Walt, Proctor, and Smith 2010, 8.
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80. White and Glick 2009, 148.
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85. Reardon 2011.
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94. Kreider and Elliott 2010.
95. CONSAD Research Corp. 2009.
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97. See Bianchi 1995, 107-54.
98. Looney and Greenstone 2011.
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101. DeParle and Tavernise 2012.
102. Smock and Greenland 2010.
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106. Murray 2012.
107. Note that poverty rates by family type reported in chapter 3, table 1, refer to the poverty rates of people in different kinds of families regardless of

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109. O'Hare 1996, 18, 21.
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111. Bianchi 1999.
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113. Manning 2006.
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131. Cancian and Reed 2009, 106. See also Becker 1991.
132. For one example of this argument, see Krugman 2012.
133. Kristof 2012.
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9. Rajan 2010, 39.
10. Financial Crisis Inquiry Commission 2011, 6.
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12. Fligstein and Goldstein 2011, 21.
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16. Financial Crisis Inquiry Commission 2011, xxv.
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18. Financial Crisis Inquiry Commission 2011, xx.
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36. Wolff, Owens, and Burak 2011, 134, 150–51.
37. Wolff, Owens, and Burak 2011, 152.
38. Hacker et al. 2011.
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41. Morgan, Cumberworth, and Wimer 2011, 237.
42. Jacobsen and Mather 2011, 6. See also Mykyta and Macartney 2011.
43. Kenworthy and Owens 2011, 203, 216–17.
44. Cohen 2012.
45. Williamson, Skocpol, and Coggin 2011.
46. Williamson, Skocpol, and Coggin 2011, 26. See also [www.youtube.com/watch?v=zp-Jw-5Kx8k](http://www.youtube.com/watch?v=zp-Jw-5Kx8k).
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