

Poverty Research Flash

Highlighting New Poverty Research

by Robert D. Plotnick

Plotnick, Robert D. (Forthcoming). "The Alleviation of Poverty: How Far Have We Come?" *Oxford Handbook of the Economics of Poverty*. Phillip N. Jefferson, ed. Oxford University Press.

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The West Coast Poverty Center's **POVERTY RESEARCH FLASH**

highlights new research by Center faculty affiliates and others on causes, consequences, and effective policy responses to poverty, with an emphasis on changing labor markets, demographic shifts, family structure, and social and economic inequality. More information about the West Coast Poverty Center is available from our website: wpcp.washington.edu

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The Alleviation of Poverty: How Far Have We Come?

In a forthcoming book chapter, WCPC Affiliate and Professor of Public Affairs Robert Plotnick provides an overview of trends in poverty since the beginning of the "War on Poverty" in the mid-1960s, evaluates the economic, social, and policy factors driving those trends, and discusses several policy options that could reduce poverty in the future.

Plotnick notes that there has not been much progress toward reducing poverty since the 1960s. Using the official poverty measure, the overall poverty rate went down in the late 1960s, remained relatively flat throughout the 1980s and most of the 1990s, then dropped in the late 1990s, but increased after 2001. As of 2009, the poverty rate was 14.3 percent, roughly the same level as in 1967. These trends vary for some groups. For instance, the official poverty rate among the elderly has decreased over time, while the poverty rate among children in 2009 was 50 percent higher than in 1969.

Under alternative measures of poverty that focus solely on market income or that account for the value of in-kind benefits and adjust for geographic variation in the costs of living, these trends are modified slightly. Overall, however, these alternative measures tell the same story as the official measure: there has been little progress in reducing poverty over the last three decades.

What accounts for this lack of progress in combating poverty? Plotnick lays out a simplified model in which poverty is driven by the level and distribution of earnings and other market income, demographic structure, and the antipoverty impacts of taxes and income support programs, as well as by the interplay among these three forces. Since the mid-1970s, Plotnick describes how all three sets of factors have contributed to the relatively steady poverty rates described above. In terms of market income, wages for low-skill workers have declined in real terms since the 1970s, in spite of growth in wages for workers with more skill. In terms of demographic changes, the growth in female-headed families and high levels of immigration by individuals with low levels of education have each contributed to increasing poverty. Tax and transfer policies worked to reduce poverty in the 1960s and early 1970s, but their impact has been less important in the decades since then. Taken together, these forces can explain why progress in reducing poverty stalled in the early 1970s, because even as income supports and tax policies (especially the Earned Income Tax Credit, or EITC) eased the burden on the poor, declining market income and demographic changes worked against these improvements.

With respect to the next decade, Plotnick argues that economic conditions will do little to improve low-skill workers' market incomes. He suggests that the increasing share of births to unmarried parents and the growing share of relatively disadvantaged minorities in the population will contribute to increasing poverty, while a slowing flow of immigrants and a reduction in the growth of single-parent families will tend to reduce poverty.

In light of this analysis, Plotnick recommends several policy options that could help reduce poverty in the years to come. Significant expansions to workforce development programs could help alleviate market poverty, as would providing additional subsidies for child care, paid family leave, and paid sick leave. Reducing the barriers to labor market reintegration for former inmates could also help address high levels of market poverty among that group. Increasing the EITC would reduce poverty and could incentivize greater work effort among that population. Plotnick also recommends funding family planning services for low-income women and better child support enforcement as other potential mechanisms to help reduce poverty.

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The West Coast Poverty Center serves as a hub for research, education, and policy analysis leading to greater understanding of the causes and consequences of poverty and effective approaches to reducing it in the west coast states. The Center, located at the University of Washington, is one of three regional poverty centers funded by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE). More information about the West Coast Poverty Center is available from our website: wcpc.washington.edu

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Alleviating Poverty: How Far Have We Come?

New research from Robert D. Plotnick

Key Findings

- After an initial decline in the years immediately following the declaration of the “War on Poverty” in 1964, there has not been much additional progress toward reducing poverty. As of 2009, the poverty rate was 14.3 percent, roughly the same level as in 1967.
- These trends vary for some groups. For instance, the official poverty rate among the elderly has decreased over time, while the poverty rate among children in 2009 was 50 percent higher than in 1969.
- Tax and transfer policies worked to reduce poverty in the 1960s and early 1970s, but their impact has been less important in the decades since then because even as income supports and tax policies (especially the Earned Income Tax Credit, or EITC) eased the burden on the poor, declining wages for low-skill workers, the growth in female-headed families, and high levels of immigration by individuals with low levels of education contributed to increasing poverty.