

The background features a large, light green watermark of the Stanford University seal. The seal is circular and contains a tree in the center, surrounded by the text "STANFORD JUNIOR UNIVERSITY" at the top and "DIE LETER FREHEIT MEHT" at the bottom. There are also stars around the inner border of the seal.

WHY IS CALIFORNIA #1 IN POVERTY? AND WHAT CAN BE DONE?

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A PRESENTATION TO THE SSSP

“INNOVATIVE PROGRAMMATIC AND POLICY RESPONSES TO POVERTY,” AUG. 18, 2014

CALIFORNIA HAS HIGHEST SUPPLEMENTAL POVERTY RATE IN U.S.

THE CALIFORNIA POVERTY MEASURE

A Portrait of Poverty within California Counties and Demographic Groups

The Stanford Center on Poverty and Inequality

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KEY FINDINGS

- The CPM indicates that 22.0% of Californians were living in poverty in 2011. This is 1.5 percentage points lower than the 2009-2011 Supplemental Poverty Measure (SPM) for California (23.5%), but 5.8 percentage points higher than the official poverty measure (OPM) for California (16.2%). The differences arise principally because safety net benefits are not fully reported in the Census SPM and because the high cost of living in California is not taken into account in the OPM.
- There is wide variation in poverty rates across California, with especially high rates observed in counties with high housing costs, such as Los Angeles County (26.9%) and Orange County (24.3%). By contrast, lower rates tend to be observed where housing costs are more moderate, as in Placer County (13.8%) and Sacramento County (17.0%).
- Immigrant poverty, at nearly 30%, is remarkably high, and over 11 points higher under the CPM than under the OPM.
- The CPM child poverty estimate is 25.1%. Whereas child poverty rates in the CPM slightly exceed those in the OPM, the national SPM rates for children are lower than the corresponding CPM estimates. This suggests that California's high cost of living increases child poverty more than our full accounting of safety net benefits decreases it.
- The three largest safety net programs targeted toward families with children jointly reduced child poverty rates in California by 12.0 percentage points. This translates into 1.1 million fewer children in poverty.
- Safety net programs also substantially reduce the poverty rate for the least educated. The poverty rate for those in families with a high school degree or less would have been more than 20 percentage points higher absent the safety net.

This research brief presents initial results from the newly-released California Poverty Measure (CPM). The CPM, which is jointly produced by the Public Policy Institute of California (PPIC) and the Stanford Center on Poverty and Inequality, is our best estimate of economic disadvantage across and within California. It improves on the official poverty measure (OPM) and the Supplemental Poverty Measure (SPM) in ways that will be discussed in some detail below. The CPM can be used to provide county-level estimates of poverty, to explore how current policy is affecting poverty rates, and to examine the potential impact of certain proposed changes in policy. Because California will be facing key decisions in the future about how to address poverty, we need to be able to assess how proposed changes in its safety net will affect Californians. The CPM is a partial but important step in that direction.

We address five questions in this brief: (1) How much poverty is there in California and how do estimates of poverty vary across the main competing measures of poverty? (2) Does poverty vary much across California counties? (3) How do patterns of poverty vary by demographic characteristics? (4) By how much do social safety net programs reduce poverty rates? And (5) Which demographic groups benefit the most from safety net programs?

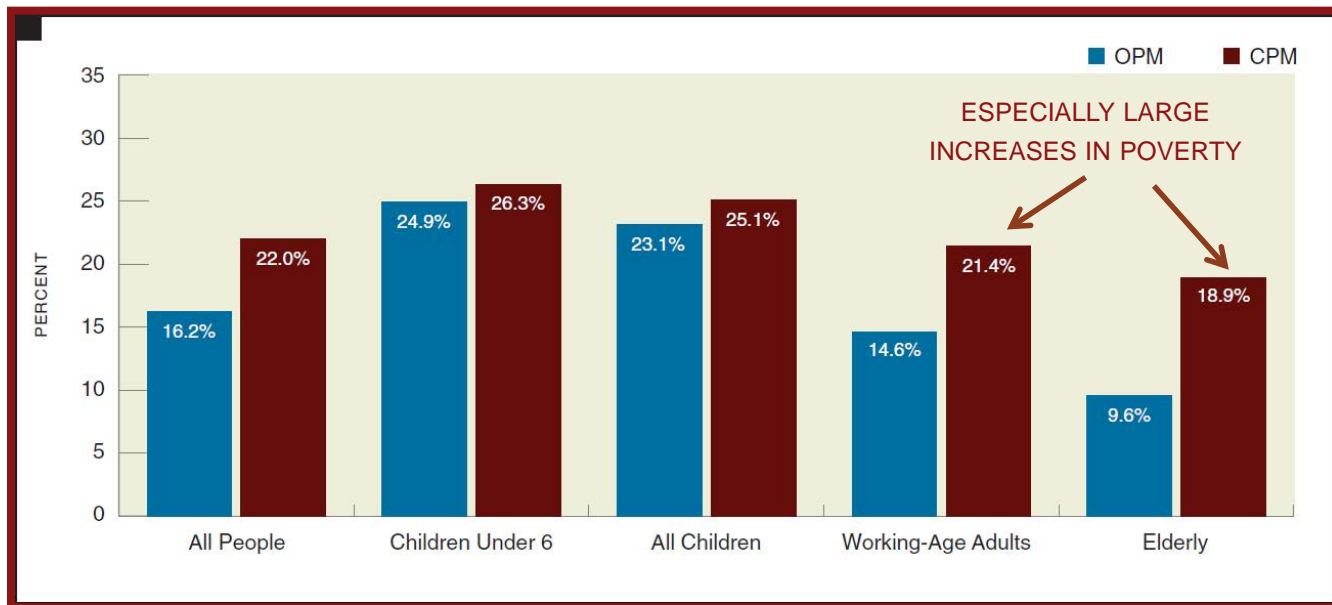
This brief provides only some of the key results coming out of the CPM and focuses particularly on demographic and county-level variability in poverty. For more information about the CPM, including a detailed discussion of the impacts of the safety net, the depth of poverty, and other key findings, see our companion publication and technical appendices (available at www.ppic.org/main/publication.asp?i=1070).¹

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OPM: 5.9 MILLION CALIFORNIANS IN POVERTY (16% OF POPULATION)

CPM: 8.0 MILLION CALIFORNIANS IN POVERTY (22% OF POPULATION)

ACROSS-THE-BOARD INCREASE IN POVERTY RATES AMONG CHILDREN, WORKING-AGE ADULTS, AND THE ELDERLY



WHAT'S TO BE DONE? POVERTY MYTHS

“TOO COMPLICATED” NARRATIVE

POVERTY IS VERY COMPLICATED AFFAIR AND THAT WE'RE NOT YET IN A POSITION TO FORMULATE GOOD POLICY

CORRECTIVE: THE SOURCES OF POVERTY ARE SIMPLE (ALTHOUGH THE CONSEQUENCES ARE COMPLICATED)

DISEASE MODEL

WE NEED TO INNOVATE AND FIND THE MAGIC-BULLET POVERTY CURE

CORRECTIVE: WE *ALREADY* KNOW WHAT CAUSES POVERTY

THE POLLUTION METAPHOR



UPSTREAM MILL THAT POLLUTES RIVER

DOWNSTREAM POPULATION FACES HEALTH
CRISIS AS RESULT

THE DOWNSTREAM APPROACH

HIRE EPIDEMIOLOGISTS, CLINICIANS,
SPECIAL EDUCATION TEACHERS,
PHYSICIANS, SOCIAL WORKERS, POLICE
OFFICERS, PRISON GUARDS

THE UPSTREAM ALTERNATIVE

REDUCE POLLUTION

IS THIS A CONTRIVED METAPHOR? NO!

THE DOWNSTREAM APPROACH TO POVERTY

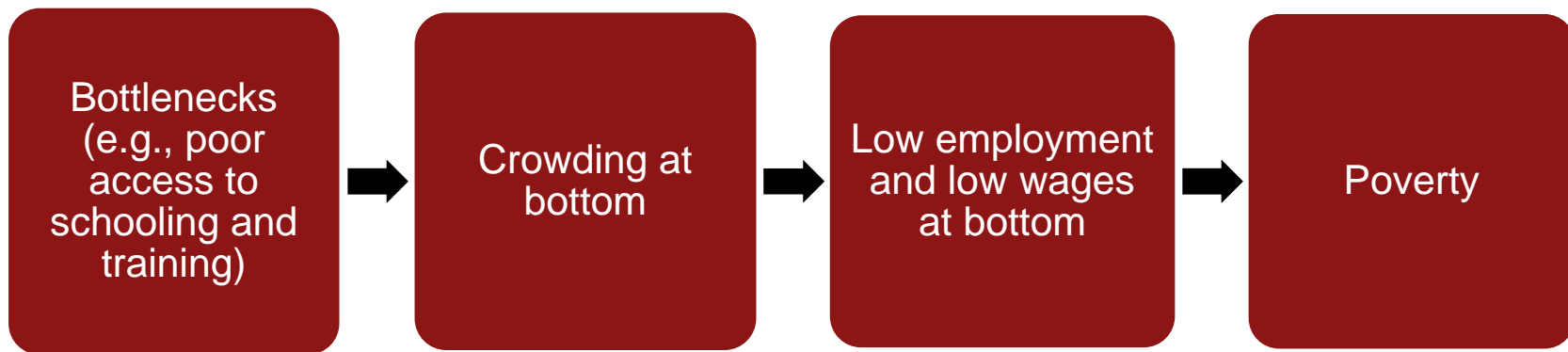
HIRE SOCIAL SCIENTISTS, CHILD-CARE WORKERS, SPECIAL EDUCATION TEACHERS, SOCIAL WORKERS, POLICE OFFICERS, PRISON GUARDS

THE UPSTREAM ALTERNATIVE

POORLY PERFORMING ECONOMY (I.E., NOT ENOUGH JOBS ... AND AVAILABLE JOBS DON'T PAY ENOUGH)

POORLY PERFORMING LABOR MARKET (I.E., UNDER-PRODUCTION OF SKILL)

ECONOMIC AND LABOR MARKET FAILURES ARE RELATED



WHAT CAN BE DONE? EVIDENCE-INFORMED POLICY

EVIDENCE-BASED POLICY IS PIPE DREAM

- HIGH-QUALITY RCT EVIDENCE IS NOT ALWAYS AVAILABLE
- EVEN WHEN IT IS, COMPARATIVE ASSESSMENTS ARE FEW AND FAR BETWEEN

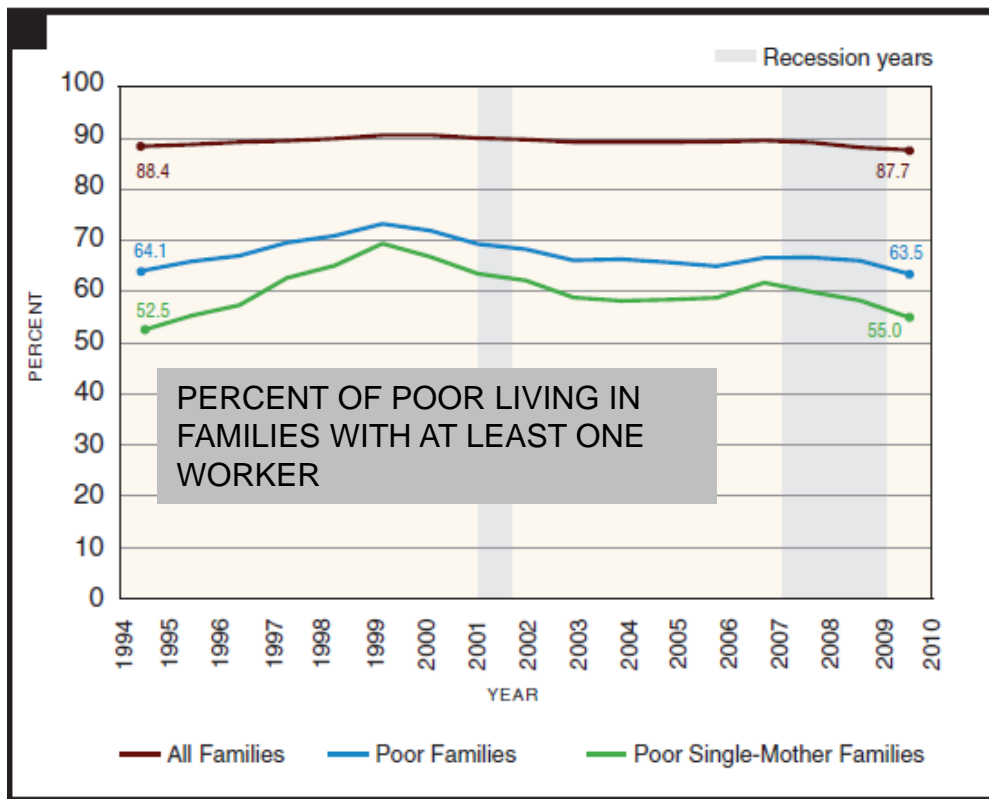
EVIDENCE-INFORMED DECISION-MAKING IS INSTEAD THE OBJECTIVE:
RAMP UP THE SCIENCE-ART RATIO

A TWO-STEP SOLUTION

REPAIR THE POORLY PERFORMING ECONOMY (I.E., MORE JOBS AND MORE WELL-PAYING JOBS)

REPAIR THE POORLY PERFORMING LABOR MARKET (I.E., RAMP UP THE PRODUCTION OF SKILL)

STEP #1: MORE JOBS FOR THE POOR



THE DANZIGER DIRECT FIX:
ESTABLISH “SUBSIDIZED
JOBS OF LAST RESORT”
FOR THE LONG-TERM
UNEMPLOYED, WELFARE
RECIPIENTS, AND THOSE
DISCONNECTED FROM
BOTH WORK & WELFARE

STEP #1: HIGHER PAYING JOBS (VIA STATE EITC AND MINIMUM WAGE)

A PROVEN POVERTY-KILLER WITH WELL-DOCUMENTED AND LASTING EFFECTS (EVEN ON THE ADULT EARNINGS OF CHILDREN EXPOSED TO IT)

A TWO-FOR-ONE INTERVENTION: AN EARLY INTERVENTION (ON THE CHILDREN EXPOSED TO IT) AND AN ADULT INTERVENTION TOO

ANOTHER TWO-FER: AN INCOME SUPPLEMENT FOR THE RECIPIENTS ... AND A JOB-CREATING INTERVENTION

HALF OF ALL STATES HAVE EITC SUPPLEMENTS (TYPICALLY AS A SPECIFIED PERCENTAGE OF THE FEDERAL CREDIT) ... BUT CALIFORNIA DOES NOT

IF FUNDED AT 10 PERCENT OF THE FEDERAL CREDIT (A “MIDDLE OF THE PACK” LEVEL), IT WOULD COST APPROX. \$700 MILLION/YEAR

STEP #2: FIX THE LABOR MARKET VIA EARLY CHILDHOOD EDUCATION AND LATE INTERVENTIONS

WELL-ESTABLISHED PAYOFF TO “HIGH QUALITY” PRESCHOOLS (WITH SOME AMOUNT OF DEBATE AS TO WHAT CONSTITUTES HIGH QUALITY)

- IMPROVE QUALITY: CALIFORNIA’S RECORD IN DELIVERING HIGH-QUALITY EARLY EDUCATION IS SPOTTY
- IMPROVE QUANTITY: MANY LOW-INCOME FAMILIES (I.E., NON-CALWORKS FAMILIES) END UP ON COUNTY WAITING LISTS

LATE INTERVENTIONS (E.G., INFORMATION DISSEMINATION, RAMPED-UP COLLEGE LOAN PROGRAMS, SECTORAL JOB TRAINING)

AND RAMP UP THE DOWNSTREAM APPROACH UNTIL THE DIRECT APPROACH BEARS FRUIT

A COMPREHENSIVE PROGRAM DESIGNED TO INCREASE TAKEUP (E.G., CALFRESH, CALWORKS, HOME VISITATIONS, CHILDCARE, HOUSING PROGRAMS, JOB TRAINING, UTILITY ASSISTANCE)

RATIONALE: PARTICIPATION IN SOME PROGRAMS IS LOW (BUT OF COURSE SSI CASHOUT AND LARGE UNAUTHORIZED POPULATION MAKE FOR METHODOLOGICAL COMPLICATIONS IN CALCULATING PARTICIPATION RATES)

POSSIBLE APPROACHES

- EXPAND WRAPAROUND SERVICES
- EXPAND PLACE-BASED APPROACHES
- ESTABLISH A CENTRALIZED “POVERTY-FIGHTING” WEBSITE AND SMART-PHONE APP THAT INSTANTLY ENROLLS CLIENTS IN ALL AVAILABLE PROGRAMS

THE UPSHOT

REJECT THE SEARCH FOR INNOVATIVE SOLUTIONS (I.E., THE “MAGIC BULLET” MYTH)

REJECT THE ENDLESS CYCLE OF NEW FLAVOR-OF-THE-DAY “INTERVENTIONS”

THE CAUSES ARE SIMPLE AND THE SOLUTIONS ARE KNOWN

FOR MORE INFORMATION

STANFORD BRIEF

[HTTP://WWW.INEQUALITY.COM/POVERTY/CPM](http://www.inequality.com/poverty/cpm)

PPIC REPORT

[HTTP://WWW.PPIC.ORG/MAIN/PUBLICATION.ASP?I=1070](http://www.ppic.org/main/publication.asp?i=1070)

TECHNICAL APPENDICES

[HTTP://WWW.PPIC.ORG/MAIN/PUBLICATION.ASP?I=1070](http://www.ppic.org/main/publication.asp?i=1070)