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

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CALIFORNIA HAS HIGHEST SUPPLEMENTAL POVERTY RATE IN U.S.

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

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

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 a way 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 various proposed changes in policy. Because California will be making 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) What 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/technical-support/1677).
ACROSS-THE-BOARD INCREASE IN POVERTY RATES AMONG CHILDREN, WORKING-AGE ADULTS, AND THE ELDERLY

STANFORD CENTER ON POVERTY AND INEQUALITY
“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

Bottlenecks (e.g., poor access to schooling and training) → Crowding at bottom → Low employment and low wages at bottom → Poverty
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

PPIC REPORT
HTTP://WWW.PPIC.ORG/MAIN/PUBLICATION.ASP?i=1070

TECHNICAL APPENDICES
HTTP://WWW.PPIC.ORG/MAIN/PUBLICATION.ASP?i=1070