

Summer 2014

SENIOR EDITORS

David Grusky
Charles Varner
Marybeth Mattingly
Michelle Poulin

ART DIRECTOR

Robin Weiss

COPY EDITOR

Liz Hogan-Stalnaker

PROOFREADER

Mandy Erickson

ADMINISTRATOR

Alice Chou

EDITORIAL BOARD

Kenneth Arrow, Stanford University
Peter Bearman, Columbia University
David Card, University of California at Berkeley
Joshua Cohen, Stanford University
Dalton Conley, New York University
Greg Duncan, University of California at Irvine
Kathryn Edin, Johns Hopkins University
Paula England, New York University
Robert Frank, Cornell University
Mark Granovetter, Stanford University
Robert Hauser, National Research Council
Michael Hout, New York University
Jon Krosnick, Stanford University
Glenn Loury, Brown University
Hazel Markus, Stanford University
Douglas Massey, Princeton University
Susan Mayer, University of Chicago
Charles Murray, American Enterprise Institute
for Public Policy Research
Katherine Newman, Johns Hopkins University
Thomas Piketty, Paris School of Economics
Woody Powell, Stanford University
Barbara Reskin, University of Washington
Richard Saller, Stanford University
William Julius Wilson, Harvard University

STANFORD CENTER ON POVERTY AND INEQUALITY

Building 370, 450 Serra Mall, Stanford University
Stanford, CA 94305-2029
Tel: 650-724-6912 Fax: 650-736-9883
Email: inequality@stanford.edu
Website: www.inequality.com

The Stanford Center on Poverty and Inequality is a program of the Institute for Research in the Social Sciences. Funding from the Elfenworks Foundation gratefully acknowledged. For more information, go to www.elfenworks.org.

This publication was also supported by Grant Number AEO0101 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, awarded by the Substance Abuse Mental Health Service Administration. Its contents are solely the responsibility of the authors and do not necessarily represent the official views of the U.S. Department of Health and Human Services.

Editors' Note

Should those of us who obsessively follow poverty statistics take heart from the positive labor market reports of late? In early July, the Bureau of Labor Statistics reported that unemployment declined to 6.1 percent, the lowest level since the collapse of Lehman Brothers some six years ago. We are also seeing a moderate drop-off in long-term unemployment and a moderate increase in the employment-population ratio. But what does this mean for poverty? Is a corresponding turnaround in poverty right around the corner?

Not necessarily. As Marianne Page points out in this issue, the jobs-poverty relationship has been weakening in recent decades, with the implication that the current expansion may not have the full poverty-reducing effect that we would like. Although economic expansions do still reduce poverty, they just don't reduce it as much as they once did. This weakening arises from many sources, but the two most important are that (a) many of the new jobs (especially high-skill ones) aren't available to the low-skill poor, and (b) even the low-skill jobs that are available don't always provide the requisite hours, wages, or security that are needed for a sure pathway out of poverty.

In this new world of a weakened jobs-poverty relationship, we no longer have the luxury of focusing laser-like on the economy, confident in the knowledge that, if we can just get the economy going, poverty will take care of itself. We must now have a targeted poverty policy as well as our usual bread-and-butter economic policy. The contributors to this issue provide insights into what we should—and shouldn't—do to reduce poverty in this new world of a weakened jobs-poverty relationship.

What type of immigration policy, for example, makes sense in this new world? Would it help to restrict immigration and thus protect the native poor from competition and the consequent downward pressure on their wages? The simple answer: No. As Giovanni Peri shows, this move would likely be counterproductive, as immigration in fact works to stimulate demand for low-skill labor.

What type of income supplementation makes sense in this new world? Must we continue to rely heavily on tax credits (e.g., the Earned Income Tax Credit) to supplement the income of low-wage workers? The simple answer: Yes. As Hilary Hoynes shows, insofar as the new recovery brings even more low-wage jobs with it, there's probably no getting around a continuing strong reliance on tax credits to prop up those wages.

And, finally, what does this new world mean for our de facto hands-off policy for the nonworking poor? Do we need to rethink that policy and ramp up opportunities and benefits for those without jobs? The simple answer: Yes. If the poor aren't participating fully in the recovery, we need to recast our institutions and programs in ways that better connect them to the labor force and support them while that connection is being forged. As Luke Shaefer and Kathryn Edin discuss, the recent rise of nonworking poverty is one of the pressing problems of our time, a problem that often leads to poverty of a depth and severity that we had once thought was found only in less developed countries.

We care about connecting people to the labor market and ensuring that their incomes meet some minimal standard because, as Ann Stevens shows, the downstream costs of failing to do so are substantial, costs that are borne not just by the poor but also by the rest of us. The upshot: We need a new brand of poverty policy that doesn't adjust to our new world but that pushes us out of it ... as soon as possible.

—David Grusky, Charles Varner, and Michelle Poulin