Michigan researcher on extreme poverty: “We were staggered over what we found”

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The *World Socialist Web Site* spoke to Luke Shaefer, assistant professor of social work at the University of Michigan, about his recently published study, “Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Transfer Programs.” (See “Drastic growth in ‘extreme poverty’ in US”).

Mitch Marcus: How did you come to study the number of households earning less than $2 per person per day?

Luke Shaefer: This has been a collaboration with my colleague, Kathy Edin at Harvard. Kathy is a qualitative researcher and we were talking one day and she mentioned that she’s been going into the homes of poor families, particularly with children, for a couple decades now, and she just felt that she was going into more and more homes where there’s just nothing, just no cash. Her term was the “cashless poor” because in some cases they might have food stamps, they might have a housing subsidy, but there’s just no cash, which puts people in a bind. There’s something important about cash irrespective of these other programs.

So she said, “Boy, I wish there was a way that we could look at this, at the big data picture,” and I’ve been a long-time user of the SIPP [Survey of Income and Program Participation], which is Census Bureau data that’s particularly good at measuring the incomes of the poor. So we thought, “Well let’s look and see if there’s some trend in the number of families with kids over the last fifteen years or so that are surviving on some minimum number.” And so we started searching around for a minimum number and thought, “Well, there’s one out there.” The World Bank has these two markers of $1.25 and $2 and the increase over time looks the same for both and we just used the $2 mark and we were staggered, I think, as a lot of people were, over what we found.

MM: What brought Kathy into the homes? How do you conduct your work?

LS: Kathy is a long-term ethnographer. So while I use the big data sets, and tend to haul away in my office, she has for much longer than I focused her research on meeting families, really delving deep into what their life experiences are like, and she wrote a book called *Making Ends Meet* in the 1990s with Laura Lein that really is one of the landmark books in the study of poor families with children in the US in the modern era.

They did interviews with a couple hundred single mothers who had been on welfare at some point and showed in a very rich way that under the old system, Cash Assistance to Needy Families with Dependent Children (AFDC), there is just no way to balance the books without some work under the table or something. So the system was set up in a way that families had to break the rules to survive. She has continued on with that work and has a new book out called *Doing the Best I Can*. She had a book called *Promises I Can Keep*, which is about poor single mothers and how they think about being mothers. So *Doing the Best I Can* is the companion piece.

Really, I think our interests stemmed at the start from the 1996 Welfare Reform that got rid of this cash assistance entitlement program which, for all of its faults, was an entitlement program that if you fell below a certain income, you could rely on it. They replaced it with this program, Temporary Assistance for Needy Families (TANF), which has all these restrictions. It requires work, and as a result of that, our cash assistance caseloads plummeted in the US to the extent to which there’s only about 1.5 percent of the entire US that gets a cash check for being poor, which is I think far less than a lot of people think.

Now, we’ve actually expanded a lot of other benefits. We have the Earned Income Tax Credit (EITC), which is much larger than our cash assistance program ever was. We spend about $60 billion on it, but those benefits are actually targeted towards families who are working. So if you are just above the poverty line and have a minimum

wage job, the federal government supplements your income to a greater extent than it ever did before. But if you are on really hard times, have ever been in a long period of unemployment, or you have multiple barriers to work like substance abuse problems or some sort of mental health problems, if you're at the very bottom, the federal government actually does less for you in terms of cash support than ever before.

MM: Going back to 1996, what overall is the significance of the data in your study?

LS: What interests us is that the US had what I would really think of as a radical transformation in the way we provide aid to the poor, particularly poor families with children. We've really never done very much for working age adults without children. We do quite a bit for the elderly. We've always as a country put people into groups and given them different things.

Some people know about the Welfare Reform of 1996, but fewer people know about everything else that happened during the 1990s. These vast expansions of the EITC. We really liberalized access to public health insurance for children. So if you're at 250 percent of the poverty line, you're probably eligible for your state's public health insurance program if you're a kid. Some states it's down to 200 percent, some up to 300 percent. That's a great expansion. Then in the 2000s it was really the Bush administration that liberalized eligibility for food stamps.

We did all these things and we've never fully assessed it as a country. What are the holistic effects of these? One of the effects is if you are able to maintain a job, from the standpoint of government provision, you're much better off than you ever were. You've got this EITC, which is a big benefit. You're more likely to be on food stamps. Children are covered by public health insurance. But the primary components of that are built around a low-wage job, and if you lose that job, then you can't really call it a safety net, because besides food stamps there's just not much that you can get, particularly in an emergency. Our goal was to try to show that we have a problem at the very, very bottom and hopefully encourage the country to consider some sort of change that would fix that hole.

MM: Related to the significance of long-term unemployment, you mention that almost 5 million workers have been unemployed for over 38 weeks now.

LS: This has really been the hallmark of the Great Recession. We've had unemployment rates in the last 40 or so years that rival the unemployment rates we've had recently, but it hasn't quite looked like this in that we've had a lot of long-term unemployment in the US. This is a problematic group. Our unemployment insurance program is time-limited, but we know that every additional month that someone remains unemployed, it gets more difficult for them to become re-employed because their skills atrophy. Employers might look at unemployment as a signal that there's something wrong with this person. I expect that some of that bump-up in extreme poverty that we're seeing in the Great Recession has to do with these very long spells. And that's a group that's going to stay with us. Families with primary earners who have had these long spells are going to feel these repercussions probably over their life course from now on.

MM: Was there anything new or surprising that you uncovered in the demographics?

LS: The thing I took away from the demographics is something I already knew, but that I think surprises people: a big chunk of these families are white, and also a substantial chunk are married couples with kids, so it's not all single mothers of color.

MM: Is there anything else you'd like our readership to know about your research and work?

LS: The main point is that to us it looks like we've got a policy problem at the very bottom that people didn't think existed. On the flip side of that, we are actually more generous to the poor a little bit further up the ladder. To us it's not a completely clear story in terms of where we've gone as a country. There are things we've done in the last 15 years that I think are very good. And there are things we've done that I think have resulted in very bad outcomes. I think your readership may be interested in the growing connection between low-wage work and the primary benefits, but in all it's just been a major transformation in the way we provide aid that I think people are not totally aware of. So if I get people that far I'll feel like I did something worthwhile.