

spotlight on
POVERTY and
OPPORTUNITY

The new poverty – working class decline

By Tamar Jacoby, September 13, 2016



This year, as every year, the Census Bureau's annual report on poverty is a fascinating, informative document that ought to get much more attention than it does.

And yet what's most interesting about this week's release is what's left out – who is left out.

The report has almost nothing to say about the poverty and opportunity issue that's on everyone's mind, partly because of the presidential campaign but also because of global trends transforming the U.S. economy. Call them working class or working poor or "forgotten" Americans, they don't show up in the poverty statistics.

After years of neglect by both parties, working class voters are finally making their voices heard. Books like Robert Putnam's *Our Kids*, Charles Murray's *Coming Apart* and J.D. Vance's *Hillbilly Elegy* have given us a glimpse of their troubles. But we're still a long way from fully understanding the trends that have sent them into a decades-long nosedive, and neither Democrats nor Republicans have nearly enough to say about solutions.

Truth is, we hardly acknowledge this group – to the point that it almost has no name. Middle class is too broad-brush and papers over the unique difficulties these households face. Working class sounds outdated and, to some, disrespectful. As for blue-collar, it isn't true anymore – that's part of the problem. Even as the economy rebounds and American manufacturing finds its footing again, the share of American workers employed in manufacturing has plummeted, leaving what were once blue-collar workers to make do with low-paying service work and part-time jobs.

Just who makes up the category can also be slippery. One measure is income. Most people in official poverty fall in the bottom fifth of the income distribution – households getting by on less than about \$20,000 a year. Many though not all working class households weigh in in the next tier, at roughly \$20,000 to \$40,000 a year.

Yet most social scientists – and, polls suggest, self-identified working class people – think education and occupation are more important differentiators than income. The sharpest dividing line in the American class system is now a four-year college degree. And 16 percent of second-tier earners are high school dropouts, while two-thirds have only a high school diploma or some college but no degree.

Traditionally and still to some extent, this group was very different from the poorest of the poor. Their households and working lives were more stable; their communities, cohesive and, for the most part, nourishing. Poverty wasn't unknown or ever far from the door, but there wasn't much generational poverty. And even today, the second tier has a distinctly different profile from the bottom rung. Second-quintile earners are more than twice as likely to be married. They're only half as likely to live in households with no earners. And their families are nearly three times more likely to include someone working full-time.

What's troubling, a trend building for over 30 years, is that many of the deep structural problems that used to be confined to the hardcore poor are now spreading to the working class. Together, Putnam, Murray and Vance paint a vivid picture of the symptoms. A growing share of second-tier earners are not working or even looking for work. They're increasingly dependent on government. Marriage rates are plummeting. Children growing up in single-parent households are no longer the exception – they're the norm. And drug use is rampant, with all the economic and social ills that follow in its wake.

What isn't clear is exactly what's causing these symptoms – or how to think about remedies.

Arguably the most disturbing data – on jobs and earnings – point to a plausible root cause. A 2015 Hamilton Project study documents an appalling shift from 1990 to 2013 among men 30 to 45 years old with only a high school diploma or some college. The share of these men not working nearly doubled over the decades to 18 percent. The percentage working full-time, year-round dropped from more than three-quarters to roughly two-thirds. Not just manufacturing work, but also mid-paying jobs like construction worker and truck driver are harder to find, and the share of men in this bracket who get by doing menial service work – janitor, groundskeeper, maintenance man, cook – has nearly doubled.

It's hard to know what's cause and what's consequence, but the ripple effects of this employment shift spread well beyond the economic realm. The first ripple is earnings: the high school graduates in the Hamilton Project study saw their real wages fall by 13 percent from 1990 to 2013. Worse still, many men who can't find a job that pays what they're used to earning eventually drop out of the labor force. Men without jobs are much less likely to marry. More women are left to raise children on their own. A generation grows up with just

one parent—and before long, the group’s problems are spiraling out of control. We know the dynamic all too well from decades of studying the poorest poor.

The question for policy: how do we put this toothpaste back in the tube – and will it be any easier for the old working class than for the hardcore poor? It might – emphasis on might – be somewhat easier. After all, the cycle is less ingrained. But that assumes we can create the jobs, teach people skills, and help this tier of Americans – men and women – get back to steady, decent-paying work. Whatever else we do to treat the symptoms, ultimately the remedy must include work. Yet even this first step is a big question mark—there’s nothing easy about creating jobs.

The new blight doesn’t show up in the poverty stats, and it too still lacks a name. But it’s eating away at the ground underneath us—and all but sure to grow worse in years ahead.

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