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WWS 594F

OTHER PEOPLE'S POVERTY: LESSONS FROM THE OECD COUNTRIES

Objective of the course:

- What can we learn from the analysis of poverty and from research on social exclusion in the OECD countries?
- What lessons do we have to learn from social policy in these nations? How transferable are those lessons to the U.S. context?

This six week course is organized in terms of the life course, focusing first on poverty and deprivation among the very young, proceeding to problems of youth and adolescents, then examining aspects of family formation and household structure, labor market participation, and other dimensions of adulthood. It concludes with an examination of poverty and deprivation among the elderly. Within each segment, the course explores what the policy choices different kinds of OECD countries (e.g. Nordic social democracies, liberal states, etc.) have made in dealing with these problems and how transferable (if at all) their successes might be in the U.S. context.

Course Requirements:

Students will read the required readings ahead of each lecture. They will write a weekly reflection papers: 4 of type A and 2 of type B at the week of their choosing.

Type A: 4 weekly reflection papers (one page max)

Type B: 2 longer reflection papers (4-5 pages) on a topic deriving from the readings of the week to answer questions that you will pose of the following type: (1) what are the patterns in the OECD countries with respect to the social problem you have chosen? (2) what are the policy remedies in use? (3) how well do they work? (4) to what extent are the best of these remedies exportable to other countries

Grading: 4 short reflection papers 25%
2 graded papers: 50%
Class participation: 25%

LECTURE OUTLINE

Lecture 1 (March 25) – Who are the poor? (KN)

A. Measuring poverty: How do we measure poverty in the US? Relative? Absolute? Material deprivation versus income. How is poverty measured by the UNDP and the OECD?

B. What are the demographic characteristics of the poor in liberal democracies, social democracies, etc.?

C. Besides income poverty, what other aspects of deprivation are monitored in OECD countries? What does the term “social exclusion” mean and what does it capture that indices of income poverty or material deprivation do not? This is a big issue in the European context. What does it mean and why does it matter. Is this something we should pay attention to in the US.?

- Unemployment (no participation in the labor force)

- Political participation and civic engagement

- The integration of ethnic minorities.

- Geographic segregation

- Non-economic deprivation

- Groups that do not feel part of the overall community

- Neighborhood effects

 - Segregation by race, ethnicity, nationality or income

 - Concentration by residence

 - Canada example: low income is not necessarily equivalent to low living standards (Daniyal Zuberi’s book on hotel workers) What effect does public housing policy have on households and children? Is there a necessary relationship between public housing and concentrated poor neighborhoods?

D. There is a lot of evidence to show that rising inequality has had a serious impact on health status in the US, with those at the bottom suffering greater levels of morbidity and early mortality than those higher up the ladder. The poor tend to live shorter lives, have a shorter span of healthy life, become obese in childhood and adolescence, and experience labor market interruption on account of their own poor health or that of a dependent relative (children or the elderly). Does Europe look the same? If not, what policies make a difference?

- Who gets sick in Europe and what is the distribution of chronic disease?

- How variable is nutritional status? Do the Europeans use food stamps? Why do we do that in the US and what impact does it have?

- How effective is universal health care in dampening patterns of health inequality? (See the Whitehall study).

We see big racial differences in health in the US. Do European minorities also look worse? Or are there policies in place that dampen the differences?

E. Does poverty tend to replicate through the generations? What are the prospects for mobility out of poverty (or downward mobility) between generations in the US and the OECD?

Required Readings:

Atkinson (1998) "Poverty in Europe". Oxford: Blackwell Publishers.

Banks, J., Marmot, M., Oldfield, Z., and Smith, J.P. (2006) "Disease and Disadvantage in the United States and in England". JAMA, Vol. 295, Number 17.

Burchard, T., et al. (2002) "Degrees of Exclusion" in John Hills et al. (Edts.) Understanding Social Exclusion. Oxford: Oxford University Press.

Gallie, D., and Paugam, S. (2002) "Social Precarity and Social Integration". Report for the European Commission Directorate-General Employment Eurobarometer 56.1.

- Smeeding, T. (2004). "Public Policy, Economic Inequality, and Poverty: The United States in Comparative Perspective". Paper presented at the "Inequalities and American Politics Conference" in Syracuse University.

http://www-cpr.maxwell.syr.edu/faculty/smeeding/pdf/campbell%20paper_5.17.04.pdf

Working Papers, Number 22.

Recommended background readings:

- Boarini, R., Johansson, A., and Mira d'Ercole, M. (2006) "Alternative Measures of Well-Being". OECD Social, Employment and Migration Working Papers, Number 33

- Zuberi, D. (2006). "Differences That Matter: Social Policy and the Working Poor in the United States and Canada". Ithaca, NY: Cornell University Press.

Lecture 2 (April 1) — Children in poverty. (AA)

A. What is the incidence of child poverty in the OECD and what are the developmental consequences of living in low income households before the age of 5? How does this compare to the American situation?

B. What kinds of policies reduce the impact of income poverty on children in the OECD countries?

Universal child care, early childhood education & school readiness

Family allowances

Maternity/paternity leave and income replacement policies.

Child support enforcement

National health care or comprehensive health insurance

C. Do these policies “interrupt” the inter-generational transmission of poverty by equalizing resources or diminishing the role of the family in human capital accumulation?

Required Readings:

Smeeding, T., L. rainwater and G. Burtless 2001 “US Poverty in a Cross-National Context” in *Understanding Poverty* (S. Danziger and R. Haveman Eds.) Russell Sage Foundation & Harvard University Press.

Kamerman, S.B., Neuman, M., Waldfogel, J., & Brooks-Gunn, J. (2003, May). Social policies, family types and child outcomes in selected OECD Countries. Social, employment and migration working papers No. 6. Paris, France: Organization for Economic and Co-operative Development.

John Hills, John, Julian Le Grand and David Piachaud (Eds.) (2002) *Understanding Social Exclusion*. Oxford: OUP. Chapter 9: Child Poverty.

Ch. Schluter, S.P. Jenkins, and G. Wagner 2003. The dynamics of child poverty: Britain and Germany compared", *Journal of Comparative Family Studies* 34 (3).

Recommended Readings

J.N. Hobcraft and K.E.Kiernan (2001) Childhood Poverty, Early Motherhood and Adult Social Exclusion. *British Journal of Sociology* 52:495-517

John Ermisch, Marco Francesconi, Thomas Siedler.2006 “Intergenerational Economic Mobility and Assortative Mating” *Economic Journal*, 116 (513), 659-679

Ch. Schluter and S.P. Jenkins 2003 "Why Are Child Poverty Rates Higher in Britain than in Germany?" , *Journal of Human Resources* , vol. 38, 441- 465.

Bruce Bradbury, Stephen P. Jenkins, John Micklewright (Eds.) 2001. *The Dynamics of Child Poverty in Industrialised Countries*, Cambridge University Press.

Lecture 3 (April 8) – Education and poverty (KN)

A. Educational segregation by income and by race is pretty standard fare in the US. Poor kids tend to go to school with other poor kids and this sets up an unequal educational experience. Poor kids in this country are saddled with more inexperienced teachers, who turn over at a faster rate, and are less qualified in terms of their own educational credentials.

Is this true in Europe as well?

What difference does it make if you are in an educational system that is highly centralized as is true in most of the OECD countries, versus a localized system like the kind we have in the US.

B. Who are the illiterate in these countries? Who drops out of school? Are there equivalents of the black/white test score gap in the OECD?

C. When we look at performance on high school aged exams in the OECD countries, what evidence is there that family income predicts performance?

D. What does the literature on immigrants in Europe have to say about educational stratification?

E. What policy differences matter? For example, in some European countries, the age at which children begin formal schooling is late and the examinations that determine their future come early. Hence, they have a short time to become acclimated before very consequential decisions transpire. In other countries, formal schooling comes earlier, the socialization period is therefore longer and the exam scores seem less influenced by immigrant status.

Required Readings

Dronkers, J., 1994. "The Changing Effects of Lone Families on the Educational Attainment of their Children in a European Welfare State." *Sociology* 28:171-192.

Crul, Maurice, Hans Vermeulen (2003) "The Second Generation in Europe" *International Migration Review* 37 (4).

Timmerman Christiane, Els Vanderwaeren and Maurice Crul (2003) "The Second Generation in Belgium" *International Migration Review* 37 (4).

Herzog-Punzenberger, Barbara (2003) "Ethnic Segmentation in School and Labor Market — 40 Year Legacy of Austrian Guestworker Policy" *International Migration Review* 37 (4).

Recommended Background Readings

- OECD (2006). "Where Immigrant Students Succeed: A Comparative Review of Performance and Engagement in PISA 2003".

Orfield, G. (2001) "Schools More Separate: Consequences of a Decade of Resegregation". Harvard University Civil Rights Project.

Lecture 4 (April 15) - Fragile families (AA)

A. Single parent households are at high risk for poverty in the US. Is that true in other countries and if not, why not?

B. Out of wedlock and teenage child bearing are roads to poverty in the US. How does this look in the OECD?

C. What policies are in place to address the problems of fragile families in the European context and how well do they work?

D. Cohabiting households are becoming the norm in the Nordic countries (far less so in the southern European countries).

How durable are these relationships and what, if anything, is the relationship between these family forms and poverty?

Do children's outcomes look markedly different when they come from non-marital households?

Does social policy make a difference (see Jaap Dronkers' work which shows that in countries that have generous benefits for single parents, the test score gap among children from marital and non-marital households evaporates, while in those that are mean it is pronounced).

E. The marginality of men in poor households is a problem in the US brought on by labor market exclusion, incarceration, low wages, and the provision of public assistance to women.

Is this the case elsewhere?

What role do men play in poor households in Europe?

How do non-custodial fathers maintain ties to their kids (financial, social, etc.), or do they bother?

Required Readings:

McLanahan, Sara 2004 "Diverging Destinies: How Children Are Faring Under the Second Demographic Transition", *Demography* November 2004.

Patrick Heuveline, Jeffrey M. Timberlake and Frank F. Furstenberg "Shifting childrearing to Single mothers: results from 17 Western Countries", *Population and Development Review* 29 (1): 47-71

Bjorklund, A., Ginther, D.K. and Sundstrom, M. (2004). Family structure and child outcomes in the United States and Sweden, IZA DP No.1259.

Kiernan, K. (2006) 'Non-residential Fatherhood and Child involvement: evidence from the Millennium Cohort Study', *Journal of Social Policy* 35: 651-669.

A. Lareau, 2002. "Invisible Inequality: Social Class and Childrearing in Black Families and White Families." *American Sociological Review* 67 (October):747-776

Recommended Readings

Libertad Gonzalez. 2006 "The Effect of Benefits on Single Motherhood in Europe." *Labour Economics*.

Ginther and Pollak (2003). "Does Family Structure Affect Children's Educational Outcomes?," NBER Working Papers 9628

Gruber, J. (2004). Is making divorce easier bad for children? The long run implications of unilateral divorce, *Journal of Labor Economics*, Vol.22 (4), pp. 799-834.

Gunnar Andersson 2002. Children's experience of family disruption and family formation: Evidence from 16 FFS countries, *Demographic Research*.

Lecture 5 (April 22) - Labor force participation (AA)

A. The US has a large low wage workforce. Do the OECD countries have this as well and are the consequences of being part of it less burdensome (greater benefits or regulation of working conditions, etc.).

B. Unemployment and 'out of the labor force' groups. Who are they?

C. Income support for the persistently jobless (Welfare) How do these policies differ?

D. The EITC in the US and its OECD equivalents. What kinds of policies are in place to "reward" or subsidize low wages. How does this impact the position of employers/firms? Do EITC benefits subsidize low wage employment? Or would it be there anyway and these policies just make it possible to survive better.

E. Human capital deficiencies: Low skilled groups and school drop-outs.

F. The problems of fragile families in the US develop in the context of schooling and labor markets.

How do the OECD countries do when it comes to keeping young people in school or providing them with training that equips them for the labor market?

What is the state of the apprenticeship programs?

How does the youth unemployment picture compare to the US? What is the relationship between extensive labor market protections and youth unemployment or temporary employment?

Required Readings:

Freeman, R. (ed.) 1993 *Working under Different Rules*, Russell Sage Foundation: NY. Chapters 1, 2, 3 & 5.

Alison L Booth, Juan J. Dolado, Jeff Frank. 2002. "Symposium on temporary work: Introduction" *Economic Journal* Vol. 112 Issue 480

Adsera, A. 2005. "Vanishing Children: From high Unemployment to Low Fertility in Developed Countries", *American Economic Review Papers and Proceedings* 95 (2): 198-193.

OECD Employment Outlook 2004.

Chapter 2: Employment protection regulation and labour market performance

Recommended Readings

Olivier Blanchard and Augustin Landier 2002. "The Perverse effects of partial labour market reform: Fixed-term contracts in France" *Economic Journal* Vol. 112 Issue 480

Juan J. Dolado, Carlos García-Serrano, Juan F. Jimeno 2002 "Drawing Lessons from the boom of temporary jobs in Spain" *Economic Journal* Vol. 112 Issue 480

Olivier Blanchard. 2004 "The Economic Future of Europe" *Journal of Economic Perspectives*, V18 Issue 4.

Gilles Saint-Paul 2004 "Why are European Countries Diverging in their Unemployment Experience?" *Journal of Economic Perspectives*, V18 Issue 4.

OECD Employment Outlook 2004.

Chapter 4: Improving skills for more and better jobs: does training make a difference?

Lecture 6 (April 29) - Old Age Poverty (KN)

Arguably, the history of social security is one of the few examples where the US has made major inroads in curing the problem of poverty. In the 1930s, to be old was almost a guarantee of being poor. Social security more or less ended that relationship and continues to be one of the most political popular and effective social policies we have.

A. Is there an old age poverty problem in the OECD countries? What proportion of the elderly is income poor? Materially deprived? What are the demographic characteristics of the elderly in poverty (widows, ethnic minorities, renters, etc.)?

B. What are the main policy instruments for supporting the retired in the OECD countries and how much do they depend on citizenship or work status during the prime labor force years?

- Pensions (private and government) and social security
- Shifting retirement age
- Health Benefits.

C. The future of social security protections for the elderly. What will this look like in the OECD countries?

The limitations of the US system are sending older Americans back into the labor market as part time workers because while their social security benefits take them out of poverty, they don't leave them very well off. Do we signs of this overseas?

D. Course conclusion: KN and AA

What are the lessons learned from the OECD experience? What are the politics that made it possible? What does the future hold for the European social model?

Required Readings:

Casey, B. & A. Yamada. 2002. "Getting older, getting poorer? A study of the earnings, pensions, assets and living arrangements of older people in nine countries." *OECD Labour Market and Social Policy Occasional Papers* No. 60. SKIM.

Organization for Economic Cooperation and Development (OECD). 2006. "Live longer, work longer" *Report from High-Level Policy Forum on Ageing and Employment Policies of the OECD Employment, Labour and Social Affairs Committee*. Chapters 1-4, 7.

Whiteford, P. & E. Whitehouse. 2006. "Pension challenges and pension reforms in OECD countries." *Oxford Review of Economic Policy*, 22(1).

Wilmoth, J. & C. Longino, Jr. 2006. "Demographic trends that will shape U.S. policy in the 21st Century." *Research on Aging*, 28(3).

Recommended Readings

Bongaarts, J. 2004. "Population aging and the rising cost of public pensions." *Population and Development Review* 30(1).

Velladics, K., K. Henkens & H. Van Dalen. 2006. "Do different welfare states engender different policy preferences? Opinions on pension reforms in Eastern and Western Europe." *Ageing and Society*, 26.