The American Poor and Working Class in Cross-National Comparison

Lawrence M. Eppard, Shippensburg University, USA
Jörg Neugschwender, LIS Cross-National Data Center, Luxembourg
Erik Nelson, Brigham Young University, USA

Abstract

In this paper the authors compare the American poor and working class with their counterparts around the world. They find that the earnings of the American working-class fare well in their analysis, while American poverty is closer to the middle of the pack.

Keywords

Absolute poverty, child poverty, concentrated disadvantage, cross-national, disadvantage, Gini coefficient, government assistance, health care, homicide, IGE, inequality, LIS, Mexico, OECD, poverty, relative poverty, single parent poverty, social mobility, social welfare, United States, violence, working class

Introduction

There are numerous data sources, measures, and methodologies available to scholars which allow them to assess the well-being of a given society. One useful tool is cross-national data, which allows comparisons between societies. If people are doing much better (or much worse) in one country compared with another, the conditions and policies in each country can be examined to determine if they are contributing to those differences. If so, such conditions and/or policies might be emulated (or avoided).

In this paper we assess the well-being of the American poor and working class compared with their counterparts in selected countries around the world. We begin our discussion with the working class.

American Working Class in Comparison

Let us first settle on a definition of the 'working class' for the purposes of this paper, since this group has been classified in a variety of ways in the U.S. (Draught 2018).

Some definitions attempt to account for the degree of power and control one has. Economist Michael Zweig, the former director of the Center for Study of Working Class Life at Stony Brook University, for instance, defines the working class as:

> '[P]eople who, when they go to work or when they act as citizens, have comparatively little power or authority. They are the people who do their jobs under more or less close supervision, who have little control over the pace or the content of their work, who aren't the boss of anyone' (2004, p. 4).

Other scholars use definitions based upon occupation, income, and/or education (Draught 2018).

For the purposes of our discussion, we will consider the American working class to be the proportion of the U.S. population without a college degree—this includes those who did not finish high school, high school graduates, Americans with some college experience but no finished degree, and those with no more than an associate's degree (Draught 2018).

The median annual wage earned by the American working class was around $35,000 in 2018[1] (Draught 2018; BLS 2022b). Using an education-based definition of the working class leads to the inclusion of a wide range of occupations and wages. Heavy and tractor-trailer truck drivers, for instance, earned an average annual wage of around $47,000. At the lower end of the scale, you have people like cashiers (around $25,000 average annual wage), childcare workers (around $26,000), and maids/housekeepers (around $28,000) (BLS 2022a & 2022b).[2] Workers at this lower end of the working-class pay scale would have been somewhere between the third and fourth income deciles in the U.S. in 2018.

So how do the incomes of working-class Americans fare compared to their counterparts in other countries?

The U.S. is not the world leader. . .

When it comes to income, the American working class is not the world leader. Of the 52 countries with appropriate data in the Luxembourg Income Study (LIS) database, seven have a higher median income at the third decile, and three at the fourth decile (see Tables 1 and 2) (LIS 2022a). In Luxembourg, for instance, workers earn more than Americans at the third (123% of U.S. income) and fourth (114%) deciles.

. . . but the American working class performs very well

While there are some countries ahead of the U.S., the American working class earns a higher income than the vast majority of countries in our analysis. This can even be said for several OECD member countries. Citizens in Greece, for instance, earn significantly less at the third (43%) and fourth (41%) deciles. This is true for a number of other OECD countries as well (see Tables 1 and 2).

[1] Salaries expressed in 2018 dollars for the sake of this analysis so we can compare to Luxembourg Income Study (LIS) deciles for the U.S. and Mexico—and the most recent year for comparison in LIS is 2018.

[2] Salaries based upon Bureau of Labor Statistics (BLS) (2022a) data from May 2021 converted into May 2018 dollars using the CPI Inflation Calculator from the BLS (2022b).

TABLE 1. Median Earnings Relative to United States, 2nd and 3rd Income Deciles.

Country	2nd decile ratio (%)	3rd decile ratio (%)	Country	2nd decile ratio (%)	3rd decile ratio (%)
LUX (2019)	132.6	123.4	HUN (2015)	47.2	43.9
NOR (2019)	125.3	117.1	LTU (2018)	47.0	45.4
CHE (2018)	122.8	115.8	GRC (2016)	43.6	43.3
DNK (2016)	113.4	102.1	URY (2019)	32.1	30.4
ISL (2010)	112.1	100.2	CHL (2017)	26.9	26.8
AUT (2019)	107.6	101.6	PAN (2016)	26.0	29.7
CAN (2018)	106.5	100.8	SRB (2016)	24.9	24.9
NLD (2018)	105.9	95.3	VNM (2013)	24.8	24.4
FIN (2016)	103.0	93.7	PSE (2017)	20.2	21.4
BEL (2017)	100.0	94.6	PRY (2019)	18.7	19.5
USA (see note)	100.0	100.0	ROU (1997)	18.6	17.4
AUS (2018)	99.0	94.6	CHN (2013)	17.6	18.8
IRL (2018)	98.6	88.4	MEX (2018)	17.5	17.4
DEU (2019)	94.1	89.8	BRA (2016)	15.9	17.2
SWE (2005)	90.6	80.3	GMT (2014)	14.1	13.7
FRA (2018)	88.6	82.1	GEO (2019)	13.4	13.4
GBR (2018)	85.7	78.7	PER (2016)	12.0	15.1
JPN (2013)	84.8	81.3	COL (2019)	11.7	13.1
SVN (2015)	74.4	72.5	EGY (2012)	10.9	11.9
CZE (2016)	72.4	64.8	DOM (2007)	10.8	11.6
KOR (2016)	70.7	73.1	ZAF (2017)	10.0	11.5
ESP (2016)	65.2	65.5	MLI (2019)	7.8	7.7
ISR (2018)	60.8	62.5	IND (2011)	7.1	7.5
POL (2019)	57.3	53.1	CIV (2015)	3.8	4.8
ITA (2016)	56.8	57.1			
SVK (2018)	51.9	46.8			
EST (2016)	51.8	51.9			
RUS (2019)	49.7	46.5			

Note: All data most recent years available in LIS database. Ratios are the median income of an income decile in a particular country divided by the median income of that same decile in the U.S. in the same year. All income converted into U.S. dollars. Income is post-tax/transfer. For context, the median income of the 2nd income decile in the U.S. in 2019 (latest year available in LIS database) was $18,892, while the median income for the 3rd decile was $24,707. Three letter country codes used due to limited space in table.
Source: Authors' calculations based upon LIS (2022a) data.

TABLE 2. Median Earnings Relative to United States, 4th Income Decile.

Country	4th decile ratio (%)	Country	4th decile ratio (%)
Luxembourg (2019)	113.8	Hungary (2015)	40.1
Switzerland (2018)	107.3	Panama (2016)	30.8
Norway (2019)	107.3	Uruguay (2019)	29.0
U.S. (see note)	100.0	Chile (2017)	26.5
Canada (2018)	96.3	Vietnam (2013)	24.2
Denmark (2016)	94.3	Serbia (2016)	23.9
Austria (2019)	93.3	Palestine (2017)	22.3
Iceland (2010)	91.6	Paraguay (2019)	20.1
Australia (2018)	90.9	China (2013)	19.6
Belgium (2017)	90.8	Brazil (2016)	18.4
Netherlands (2018)	87.9	Mexico (2018)	17.2
Finland (2016)	86.4	Peru (2016)	16.5
Ireland (2018)	83.6	Romania (1997)	16.1
Germany (2019)	83.5	Colombia (2019)	13.6
Japan (2013)	78.9	Guatemala (2014)	13.5
France (2018)	76.9	Georgia (2019)	12.9
Sweden (2005)	74.1	Egypt (2012)	12.2
U.K. (2018)	74.0	South Africa (2017)	12.0
South Korea (2016)	70.4	Dominican Republic (2007)	11.9
Slovenia (2015)	67.3	India (2011)	7.7
Spain (2016)	64.4	Mali (2019)	7.4
Israel (2018)	62.5	Ivory Coast (2015)	5.3
Czech Republic (2016)	58.8		
Italy (2016)	54.4		
Estonia (2016)	50.3		
Poland (2019)	48.9		
Lithuania (2018)	44.2		
Russia (2019)	43.5		
Slovakia (2018)	43.5		
Greece (2016)	41.1		

Note: All data most recent years available in LIS database. Ratios are the median income of fourth income decile in a particular country divided by the median income of that same decile in the U.S. in the same year. All income converted into U.S. dollars. Income is post-tax/transfer. For context, the median income of the fourth income decile in the U.S. in 2019 (latest year available in LIS database) was $30,940.
Source: Authors' calculations based upon LIS (2022a) data.

We should also note that a disproportionate number of countries in our analysis are wealthy. If most countries in the world were included (such as middle- and low-income countries), one can assume that the U.S. would fare better than the vast majority.

One interesting comparison is between the U.S. and the country that it shares a border with to the south: Mexico. As you can see in Figure 1, Americans in the third income decile earn about the same median income ($23,486) as those in the richest decile in Mexico ($23,212), while Americans in the fourth decile ($29,197) earn more than the richest Mexican decile.

Money Is Not Everything

We should be careful to note that income is not the only way to measure the plight of a society's citizens. There are a variety of non-income dimensions of disadvantage that are important to consider, of which we will discuss an illustrative few.

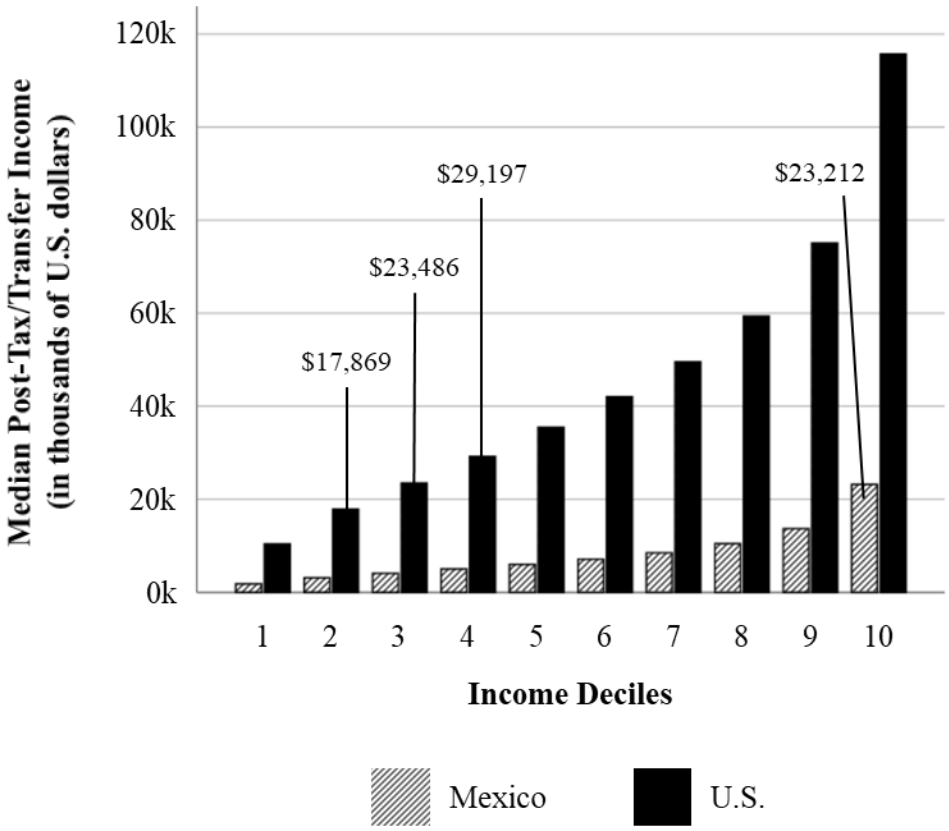
Access to health care, for instance, is an important non-income dimension of societal well-being. In some countries, citizens are assured health insurance coverage regardless of their economic or social status. Of the 37 non-U.S. OECD member countries, 26 have universal health insurance coverage and 36 see a larger share of their population insured than the U.S. (OECD 2022b)—and health care in a number of these countries, such as in Germany and the U.K., is on par with the U.S. in terms of quality (see Appendix A).

In the U.S., the risk of being uninsured is much higher for lower-status Americans. In 2020, for instance, 11.5% of those between 26-64 years old were uninsured in the U.S. That number was almost a third (31.9%) for those without a high school degree and 16.1% for those with a high school degree but no college experience. For those with a bachelor's degree, it was 5.9% (U.S. Census Bureau 2021).

Another non-income dimension of disadvantage is intergenerational social mobility, or how difficult it is to move up the income ladder from the group you were born into. If you were poor or working class, would you settle for a lower income now if it meant a brighter future? Some would not, but no doubt many would. In some countries, the poor and working class may bring home less income than they would in the U.S., but they also may have a better chance of eventually moving up.

One way that economists assess intergenerational mobility is a measure called an intergenerational earnings elasticity or IGE. This measure typically has values ranging from 0 to 1. The higher the value, the harder it is for somebody born in a lower income group to move up into a higher one in adulthood. The lower the IGE, the easier such a move is.

FIGURE 1. Income of U.S. Working Class Compared with Mexico.



Note: The most recent LIS year available for both countries (2018) was used for this analysis.
Source: Authors' calculations using most recent LIS (2022a) data.

As CUNY economist Miles Corak explains:

> 'The IGE helps us understand to what extent a child's adult economic outcomes are foreshadowed by their parents' income. The IGE is a way of measuring that and helps tell us how close that relationship is. More technically, it refers to the percentage change in a child's income if their parents' income were to increase or decrease. So if the IGE was say 0.50, that is the same thing as saying that if my parents' income were to double, my income would be 50 percent higher. This intergenerational stickiness in income is one signal of the impact of family origins on children's outcomes' (Mazumder et. al. 2021).

Most economists argue that the IGE in the U.S. is around 0.50 (although some estimates put it closer to 0.60), which is higher than average when compared with most wealthy countries (Mazumder et. al. 2021). As you can see in Figure 2, several countries have a lower IGE than the U.S., suggesting better intergenerational social movement in those countries.

One more non-income dimension of disadvantage to consider is violence. Living in lower-income areas means facing a greater risk of exposure to violence in the U.S. (Eppard et. al. 2020). As Robert Sampson explains, '[C]oncentrated disadvantage remains a strong predictor of violent crime' (2019, p. 13). And as Chase Sackett writes, 'Concentrated disadvantage, crime, and imprisonment appear to interact in a continually destabilizing feedback loop' (2016).

Detailing how this plays out in the city of Chicago, Princeton University sociologist Patrick Sharkey explains:

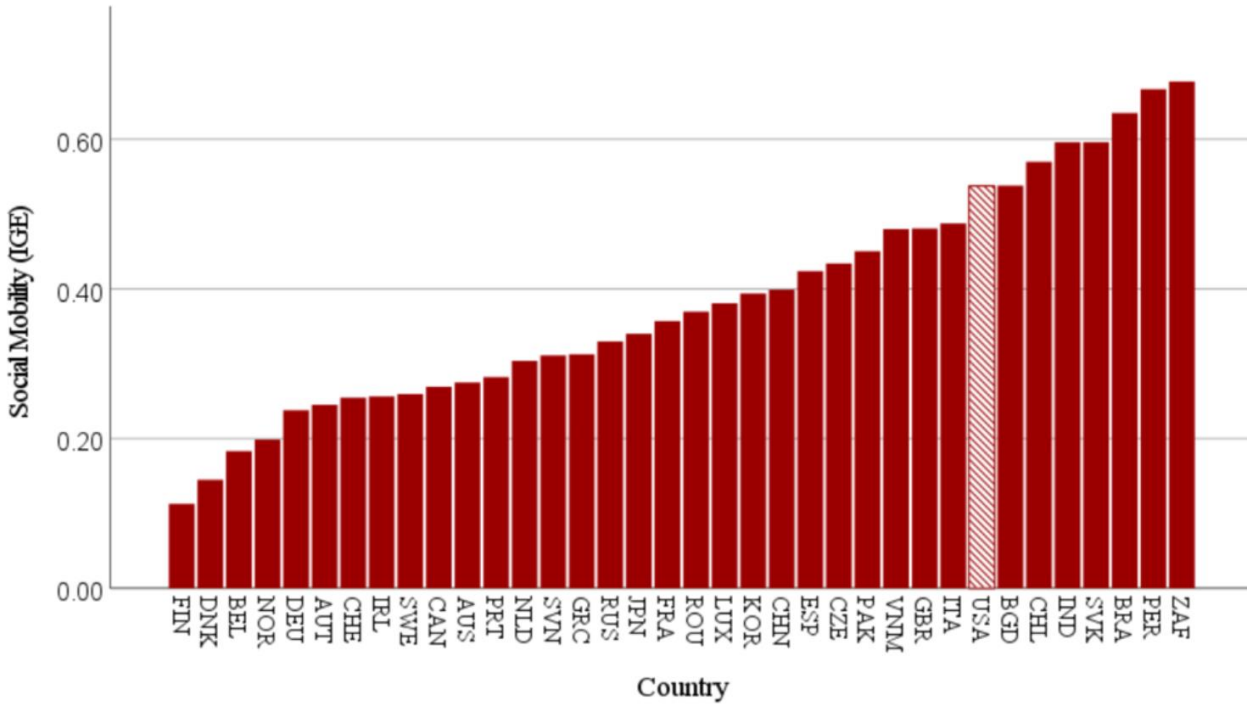
> '[T]he concentration of violence goes hand in hand with the concentration of poverty. There is a remarkable spatial clustering of homicides in and around neighborhoods with high levels of poverty. . . there are entire sections of this violent city where the most extreme form of violence, a local homicide, is an unknown occurrence. There are other neighborhoods where homicides are a common feature of life. . . these maps provide perhaps the most vivid portrait of what living in areas of concentrated poverty can mean in America's cities' (2013, p. 30).

In our own previous analyses of a variety of American cities, we have also demonstrated the remarkable clustering of gun homicides amidst concentrated disadvantage. In Figure 3 you can see two examples from our previous analyses of New York City and St. Louis/East St. Louis.

While this pattern holds in several other countries as well (for an example, see Trust for London 2022), the risk is significantly higher for Americans living in lower-income areas compared with their counterparts in a number of other countries.

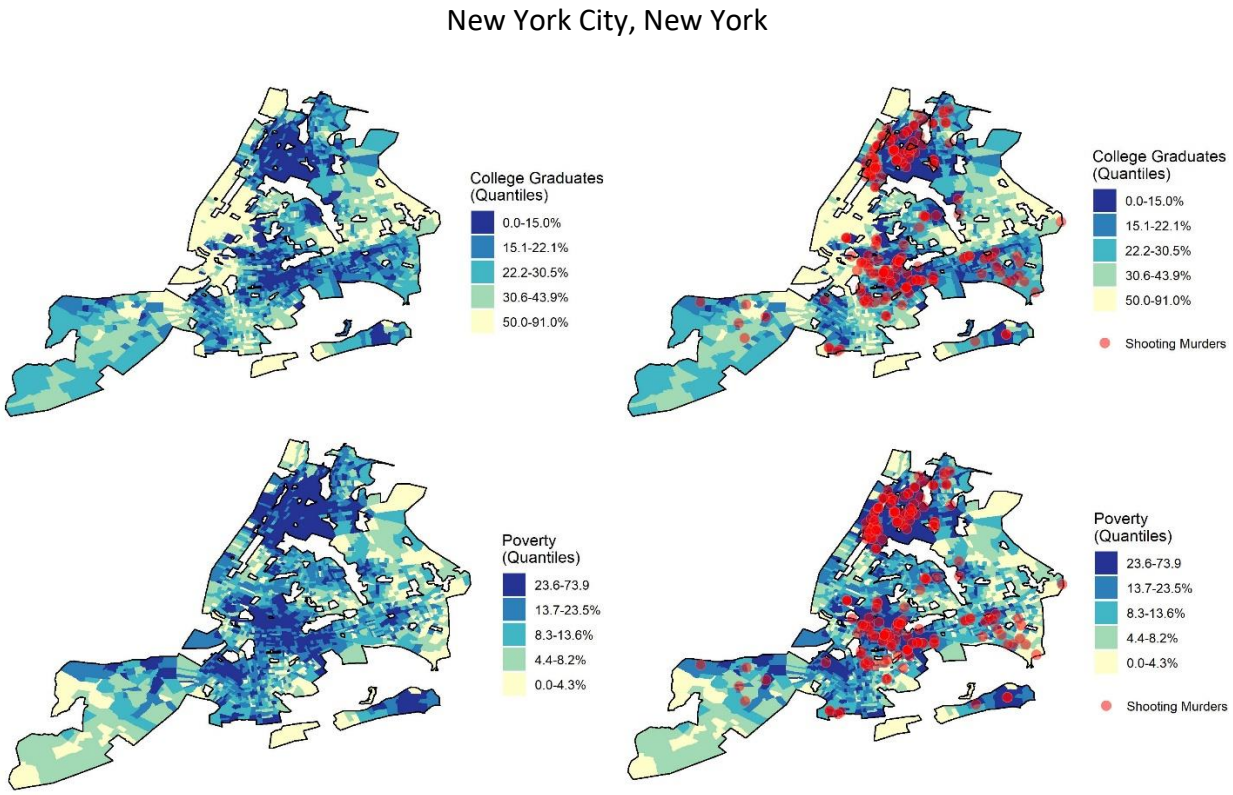
So while income is an important dimension of disadvantage, it is not the only one. There are several others in addition to health care, social mobility, and violence that we could examine. With this in mind, we will move on to discuss how the American poor compare with their counterparts around the world.

FIGURE 2. Social Mobility Cross-Nationally.



Source: World Bank 2022.

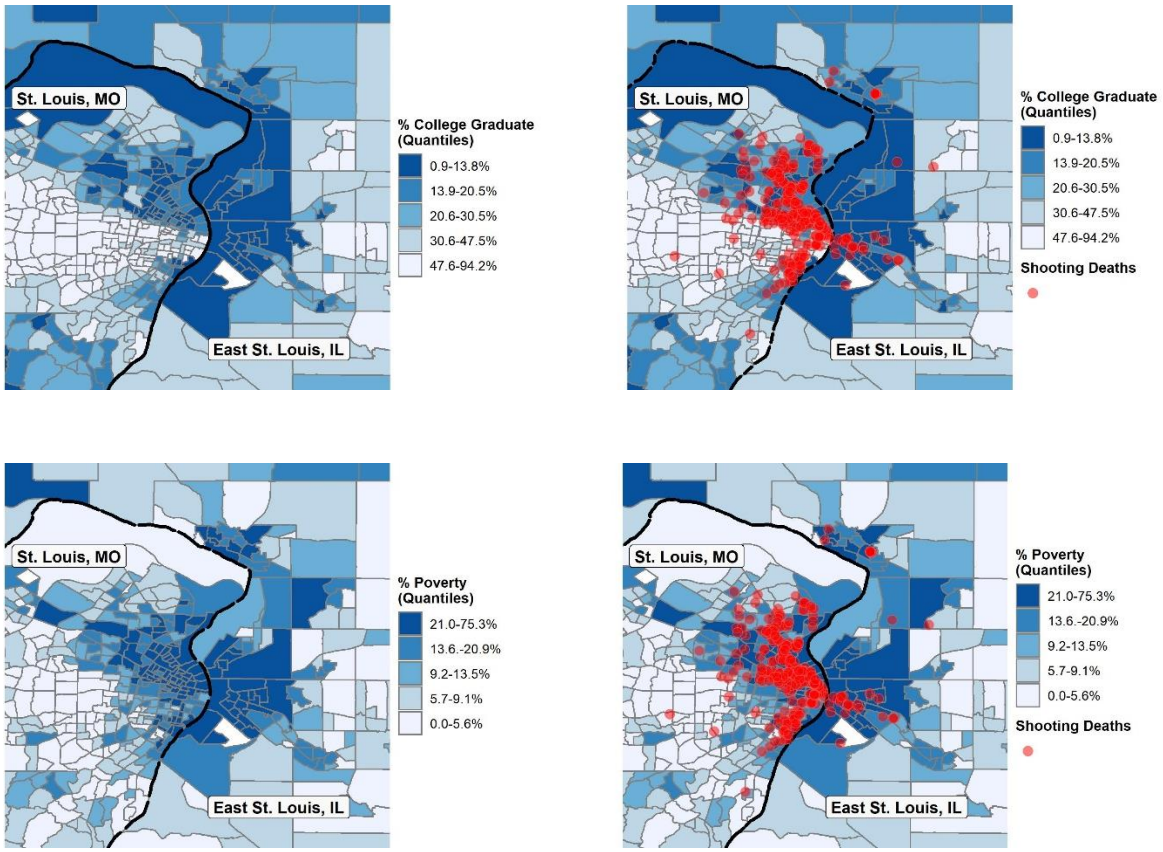
FIGURE 3. Mapping Disadvantage and Gun Homicides.



Source: For New York City, see Eppard et. al. 2020. For St. Louis/East St. Louis, see Eppard & Nelson 2022.

FIGURE 3 (continued). Mapping Disadvantage and Gun Homicides.

St. Louis, Missouri/East St. Louis, Illinois



Source: For New York City, see Eppard et. al. 2020. For St. Louis/East St. Louis, see Eppard & Nelson 2022.

American Poverty in Comparison

When researchers compare poverty rates cross-nationally, they can use either an absolute poverty rate or a relative rate. An absolute measure typically tells you the percentage of people in that society earning less than a particular income threshold, with the assumption being that earnings below that threshold are not enough to cover a family's basic needs. The poverty threshold used by the U.S. Census Bureau, which is considered the 'official' poverty measure and is cited by most publications, was conceived of as an absolute measure. According to this poverty line, a married couple with two children would be considered poor if they earned less than $27,479 in 2021 (U.S. Census Bureau 2022a).

A relative measure is very different. Relative measures tell you the percentage of the population that earn an income that is low when compared with the country's median income. When researchers compare poverty rates across OECD countries, they often use a relative measure. In these analyses, people are typically defined as poor if their household income falls below 50% of the median household income of the total population in that country.

U.S. has room for improvement

When using a standard relative poverty measure, the U.S. has a high poverty rate after taxes and transfers[3] compared with most OECD countries. Among the 37 OECD countries reporting data,[4] the U.S. has the second highest rate (18.0%), only topped by Costa Rica (20.3%). The average among OECD countries (excluding the U.S.) is 11.4%. The low is Iceland at 4.9% (OECD 2022a).

Absolute measures tell a different story. Using LIS data (2022b), we applied the official U.S. Census Bureau (2022a) poverty thresholds to all countries with appropriate data.[5] After doing this, the U.S. still has a somewhat high poverty rate (9.8%) for an OECD country but is much closer to the middle of the pack (non-U.S. median of 6.5%) than the high end (34.9%). The lowest poverty rate was in Luxembourg (1.3%) and the highest was in Lithuania (34.9%) (see Table 3).

Some of the countries had similar absolute and relative poverty rates, including the U.K. (0.3 percentage point difference), Finland (0.5), and Denmark (0.9). Other countries had very dissimilar rates, including Lithuania (19.4), Estonia (12.7), and Italy (10.7). In the case of the Czech Republic, it goes from the lowest poverty rate among OECD countries[6] when using a relative measure (5.6%) to a higher-than-average poverty rate among the countries in the absolute poverty analysis (15.3%). Luxembourg had the lowest absolute poverty rate (1.3%) but was around average among OECD countries when it comes to relative poverty (10.5%) (see Table 4).

[3] 'After taxes and transfers' means after taxes are subtracted from people's incomes and after households have received any government assistance for which they qualify.

[4] There were no data available in the database for Colombia.

[5] See Appendix B for methodology.

[6] Of the OECD countries in our analysis, as not every OECD country is included. Iceland has a lower relative poverty rate than the Czech Republic, for instance, but was not included in our analysis because it did not have comparable LIS data.

TABLE 3. Absolute Poverty Rates Based on U.S. Poverty Line.

Country	Pre-tax/transfer absolute poverty rate (%)	Post-tax/transfer absolute poverty rate (%)	Poverty reduction post-tax/transfer (%)
Luxembourg	21.4	1.3	93.9
Switzerland	10.5	3.4	67.6
Norway	25.6	3.9	84.8
Netherlands	17.4	4.9	71.8
Denmark	22.9	4.9	78.6
Belgium	31.3	5.2	83.4
Austria	28.6	5.3	81.5
Germany	26.6	5.8	78.2
Ireland	31.8	6.3	80.2
Finland	32.4	6.3	80.6
Canada	19.4	6.6	66.0
Australia	21.5	6.7	68.8
United States	19.5	9.8	49.7
France	34.1	10.8	68.3
United Kingdom	27.8	11.4	59.0
Czech Republic	34.3	15.3	55.4
South Korea	20.1	16.1	19.9
Israel	26.8	21.7	19.0
Italy	42.8	24.4	43.0
Estonia	40.6	28.5	29.8
Russia	46.0	34.6	24.8
Lithuania	46.0	34.9	24.1

Note: Poverty threshold is the official U.S. Census Bureau (2022a) poverty line for that year.
Source: Authors' calculations using most recent LIS (2022b) data.

TABLE 4. Comparing Absolute and Relative Poverty Rates Cross-Nationally.

Country	Absolute poverty rate (%)	Relative poverty rate (%)	Percentage point difference
Luxembourg	1.3	10.5	9.2
Switzerland	3.4	10.5	7.1
Norway	3.9	8.4	4.5
Netherlands	4.9	7.8	2.9
Denmark	4.9	5.8	0.9
Belgium	5.2	8.2	3.0
Austria	5.3	10.0	4.7
Germany	5.8	9.8	4.0
Ireland	6.3	7.4	1.1
Finland	6.3	5.8	-0.5
Canada	6.6	11.8	5.2
Australia	6.7	12.4	5.7
United States	9.8	18.0	8.2
France	10.8	8.5	-2.3
United Kingdom	11.4	11.7	0.3
Czech Republic	15.3	5.6	-9.7
South Korea	16.1	17.6	1.5
Israel	21.7	16.9	-4.8
Italy	24.4	13.7	-10.7
Estonia	28.5	15.8	-12.7
Lithuania	34.9	15.5	-19.4

Note: Absolute poverty measured using U.S. Census Bureau (2022a) poverty thresholds. Relative poverty measure is a household income less than 50% of the national median income.
Source: Authors' calculations using most recent matching LIS (2022b) and OECD (2022a) data.

Using a relative measure, one might assume that Lithuania (15.5%) has less poverty than the U.S. (18.0%). Yet Lithuania's absolute poverty rate (34.9%) is about 3.5 times higher than the rate in the U.S. (9.8%).

We calculated poverty rates not just for the overall population, but for children and single-parent families as well. On child poverty, the U.S. is somewhat high among the OECD countries in our analysis at 12.0%, but again much closer to the middle of the pack (non-U.S. median of 7.0%) than the high end (36.4%). The lowest child poverty rate was 1.4% in Luxembourg and the highest was 47.7% in Russia (see Table 5). On single parent family poverty, the U.S. is also somewhat high among the OECD countries in our analysis at 24.0%. Yet again this is much closer to the middle of the pack (non-U.S. median of 17.8%) than the high end (63.1%). The lowest single parent family poverty rate was 0.7% in Luxembourg and the highest was 63.1% in Lithuania (see Table 6).

Both absolute and relative measures are valuable

While we found a strong correlation ($r = 0.60$, $p < .01$) between absolute poverty rates and relative poverty rates in our analysis, we found that relative poverty rates were even more strongly correlated with Gini coefficients ($r = 0.83$, $p < .001$). The correlation between absolute poverty rates and Gini coefficients was not statistically significant ($p > .05$).

When absolute poverty rates and Gini coefficients were included together in a multiple regression model (r square = 0.77, $p < .001$) with relative poverty as the dependent variable, both independent variables were statistically significant, but the standardized coefficient for Gini coefficients (0.707) was larger than that of absolute poverty (0.296).

Which one should you use to measure poverty? It depends on your research question. Absolute poverty measures give you a good picture of whether somebody's basic needs are being met, while relative poverty measures tell you how far removed somebody is from the mainstream standard of living in a society. Both are valuable indicators for scholars.

An additional measure

An additional measure that provides insight into the plight of different income groups is the median earnings of various income deciles. When conducting our absolute poverty analysis discussed earlier, there were only 22 countries with appropriate recent data available in the LIS database. But using that same database we were able to obtain decile median income data for 52 countries.

Using this method, the U.S. is average among OECD countries. Of the 33 OECD countries in this analysis, 16 have higher earnings than the U.S. at the first decile and 16 have lower earnings. Among all 52 countries in the analysis, the U.S. performs above average—16 countries have higher earnings and 35 have lower earnings (this latter groups includes every non-OECD country in the analysis) (see Table 7).

TABLE 5. Child Absolute Poverty Rates Based on U.S. Poverty Line.

Country	Pre-tax/transfer child absolute poverty rate (%)	Post-tax/transfer child absolute poverty rate (%)	Poverty reduction post-tax/transfer (%)
Luxembourg	10.6	1.4	86.8
Norway	11.8	2.5	78.8
Denmark	12.8	3.0	76.6
Switzerland	7.2	4.5	37.5
Netherlands	10.1	5.0	50.5
Finland	15.7	5.5	65.0
Canada	19.1	5.7	70.2
Germany	15.3	6.0	60.8
Austria	16.3	6.9	57.7
Belgium	17.9	6.9	61.5
Australia	18.6	7.0	62.4
Ireland	27.6	7.8	71.7
South Korea	8.9	9.2	-3.4
United States	17.5	12.0	31.4
United Kingdom	30.9	14.2	54.0
France	23.6	15.5	34.3
Czech Republic	22.3	19.1	14.3
Estonia	33.6	24.1	28.3
Israel	31.8	29.4	7.5
Italy	34.4	36.1	-4.9
Lithuania	42.5	36.4	14.4
Russia	51.9	47.7	8.1

Note: All data most recent available in LIS database. Poverty threshold is the official U.S. Census Bureau (2022a) poverty line.
Source: Authors' calculations using LIS (2022b) data.

TABLE 6. Single-Parent Family Absolute Poverty Rates Based on U.S. Poverty Line.

Country	Pre-tax/transfer single-parent family absolute poverty rate (%)	Post-tax/transfer single-parent family absolute poverty rate (%)	Poverty reduction post-tax/transfer (%)
Luxembourg	21.6	0.7	96.8
Switzerland	16.9	4.7	72.2
Norway	29.4	5.0	83.0
Denmark	32.0	5.5	82.8
Belgium	41.0	7.4	82.0
Netherlands	37.7	9.6	74.5
Austria	36.9	12.4	66.4
Germany	39.0	12.9	66.9
Canada	47.8	14.3	70.1
Finland	43.0	17.2	60.0
Australia	54.5	18.4	66.2
South Korea	19.2	18.6	3.1
Ireland	59.5	23.6	60.3
United States	35.4	24.0	32.2
United Kingdom	66.8	30.1	54.9
France	44.2	31.9	27.8
Estonia	51.4	44.1	14.2
Italy	50.2	51.0	-1.6
Czech Republic	53.3	51.6	3.2
Israel	60.1	53.8	10.5
Russia	65.2	60.1	7.8
Lithuania	65.1	63.1	3.1

Note: Poverty threshold is the official U.S. Census Bureau (2022a) poverty line for that year.
Source: Authors' calculations using most recent LIS (2022b) data.

TABLE 7. Median Earnings Relative to United States, 1st Income Decile.

Country	1st decile ratio (%)	Country	1st decile ratio (%)
Luxembourg (2019)	165.8	Italy (2016)	46.4
Denmark (2016)	148.5	Uruguay (2019)	38.5
Norway (2019)	145.4	Chile (2017)	30.3
Iceland (2010)	141.5	Vietnam (2013)	28.9
Switzerland (2018)	139.2	Panama (2016)	23.6
Finland (2016)	137.8	Serbia (2016)	22.2
Netherlands (2018)	132.5	Romania (1997)	21.8
Belgium (2017)	129.8	Palestine (2017)	17.6
Ireland (2018)	128.2	Mexico (2018)	17.5
Austria (2019)	124.0	Paraguay (2019)	17.2
Sweden (2005)	121.4	China (2013)	17.2
Canada (2018)	119.8	Guatemala (2014)	16.4
Australia (2018)	117.8	Georgia (2019)	12.6
Germany (2019)	109.2	Colombia (2019)	9.1
France (2018)	107.2	Brazil (2016)	9.1
U.K. (2018)	104.8	Peru (2016)	8.9
U.S. (see note)	100.0	Dominican Republic (2007)	8.7
Japan (2013)	93.0	South Africa (2017)	8.1
Czech Republic (2016)	92.1	Egypt (2012)	7.8
Slovenia (2015)	91.1	Mali (2019)	7.4
Israel (2018)	65.9	India (2011)	6.4
Estonia (2016)	64.7	Ivory Coast (2015)	0.7
South Korea (2016)	63.1		
Poland (2019)	62.8		
Hungary (2015)	60.2		
Russia (2019)	59.4		
Slovakia (2018)	58.4		
Spain (2016)	57.8		
Lithuania (2018)	51.4		
Greece (2016)	46.6		

Note: All data most recent years available in LIS database. Ratios are the median income of first income decile in a particular country divided by the median income of that same decile in the U.S. in the same year. All income converted into U.S. dollars. Income is post-tax/transfer. For context, the median income of the first income decile in the U.S. in 2019 (latest year available in LIS database) was $11,095.
Source: Authors' calculations based upon LIS (2022a) data.

In some OECD countries, income at the bottom is much higher. In Luxembourg, for instance, the median income at the lowest decile is 165.8% of their American counterparts. In other peer countries, low earners appear to be much worse off. In Greece (46.6%) and Italy (46.4%), for instance, the lowest earners take home less than half of what their American counterparts earn.

While this method shows us that income for low earners is average in the U.S. compared with other OECD countries, it also shows us how much more insecure the poor are elsewhere in the world compared with the U.S. and its peer OECD countries. The median incomes of the countries at the bottom are startlingly low, just a fraction of U.S. earnings (7.8% in Egypt, 7.4% in Mali, 6.4% in India, and just 0.7% in the Ivory Coast) (see Table 7).

Like we did in our discussion of the working class, it is interesting to compare the lowest earners in the U.S. and Mexico, given these countries' proximity and history. As you can see in Figure 4, Americans in the lowest income decile earn a median income of $10,386. In Mexico, that number is not exceeded until you get to the eighth income decile where median earnings are $10,465. This analysis suggests that the meaning of poverty in these two countries is clearly different.

Now let us look at how the U.S. government compares with other countries in addressing economic insecurity.

Government Effectiveness

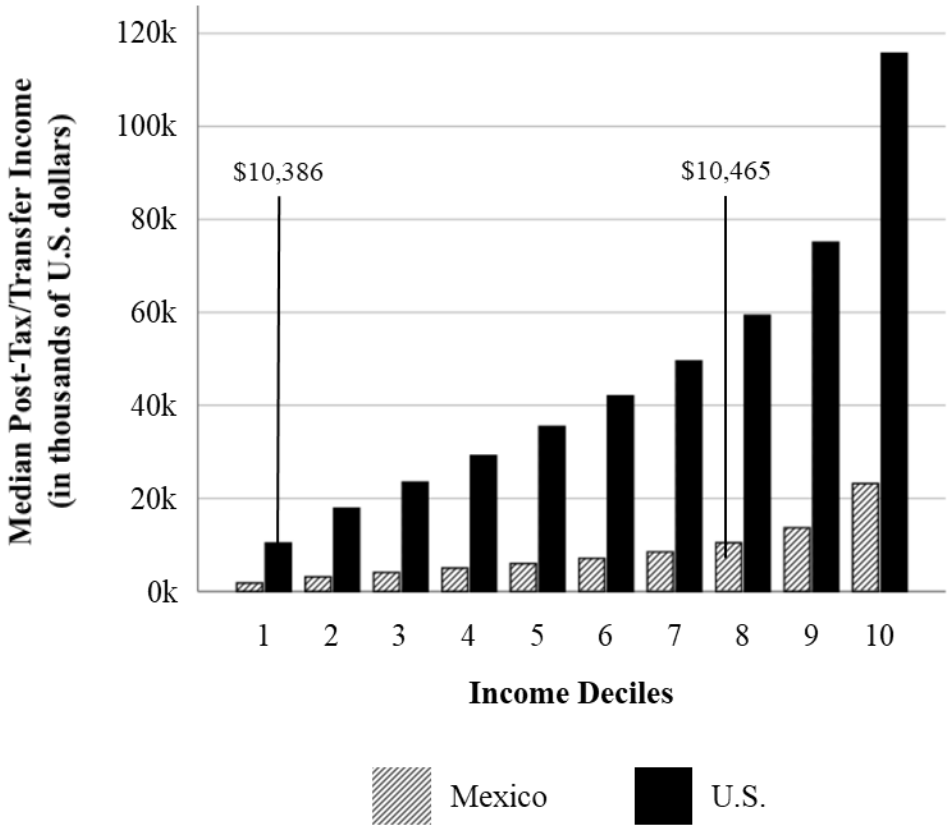
In any given year, the U.S. poverty rate would be much higher than it ends up being if not for a variety of government programs,[7] including Unemployment Insurance (UI), Social Security, the Supplemental Nutrition Assistance Program (SNAP, commonly referred to as food stamps), the Earned Income Tax Credit (EITC), Supplemental Security Income (SSI), the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), and public housing, among others.

In 2021, for instance, traditional non-pandemic related government programs are projected to have reduced the poverty rate from 23.1% to 12.6% (Wheaton et. al. 2021, p. 19). This projected reduction (45%) is typical in the U.S. after the distribution of our standard slate of government programs (CPSP 2022). These numbers are based upon estimates from the Urban Institute (using the Supplemental Poverty Measure or SPM) as the official U.S. Census Bureau data will not be released until later this year (after this article was written).

What was unique about 2021 was the presence of additional government programs created to help American families weather the COVID-19 pandemic—including stimulus checks and child tax credits. With these additional programs, the poverty rate is projected to have been further reduced from 12.6% to 7.7% (Wheaton et. al. 2021, p. 19). The combination of traditional government assistance and pandemic-related programs is projected to have reduced poverty by a total of 67%

[7] From the U.S. Census Bureau (2022b): 'Public assistance refers to assistance programs that provide either cash assistance or in-kind benefits to individuals and families from any governmental entity. There are two major types of public assistance programs: social welfare programs and social insurance programs. Benefits received from social welfare programs are usually based on a low income means-tested eligibility criteria. . . Benefits received from social insurance programs are usually based on eligibility criteria such as age, employment status, or being a veteran.' For more, visit their website (see references for address).

FIGURE 4. Income of U.S. Poor Compared with Mexico.



Note: The most recent year available for both countries (2018) was used for this analysis.
Source: Authors' calculations using LIS (2022a) data.

(from 23.1% o 7.7%), potentially keeping nearly 50 million Americans out of poverty (see Figure 5). The projected rate for children was even lower at 5.6%, down from 30.1% before standard assistance and pandemic programs (81% reduction) (Wheaton et. al. 2021, p. 19). These projected poverty rates—both overall and for children—would be the lowest on record in the U.S. (CPSP 2022).

To get an idea of a typical U.S. poverty rate (using the SPM), the average overall rate for the decade preceding the pandemic was 14.5% (average reduction of 45%) while the average child poverty rate was 16.0% (39% average reduction) (CPSP 2022).

Projected overall poverty rates differed from state to state, ranging from a low of 4.9% in Minnesota to a high of 10.9% in Florida. Projected child poverty rates ranged from a low of 1.9% in Maine to a high of 8.8% in Delaware and Florida (Wheaton et. al. 2021, pp. 7-10).

While poverty reduction is nothing new for the U.S. government, the historic projected reduction in 2021 shows us that we can reduce poverty much more than we have in the past if we so choose.

Other countries have shown us that such reduction can be regularly achieved through well-designed social policies. Referring back to Tables 3, 5, and 6, for instance, you see how much poverty exists in different countries before taxes and transfers, and how much lower poverty is afterward.[8] The degree to which poverty is reduced in each country is a good indication of the effectiveness of their anti-poverty efforts.

While a 7.7% poverty rate and 67% reduction is impressive for the U.S., it would not stand out among wealthy countries. Of the 21 non-U.S. countries in our analysis, 12 have lower poverty rates than the historic low of 7.7% for the U.S., with Luxembourg coming in at an astoundingly low 1.3%. In addition, several in our analysis reduce poverty by 70% or more, including Luxembourg (93.9%), Belgium (83.4%), Austria (81.5%), Ireland (80.2%), Denmark (78.6%), Germany (78.2%), and the Netherlands (71.8%).

If Americans need proof that low poverty rates are possible, they need only look at either (a) their own country in 2021, or (b) other wealthy countries around the world.

Permanently implementing the measures that led to the historic poverty reduction in 2021 sounds great, but there are drawbacks to consider.

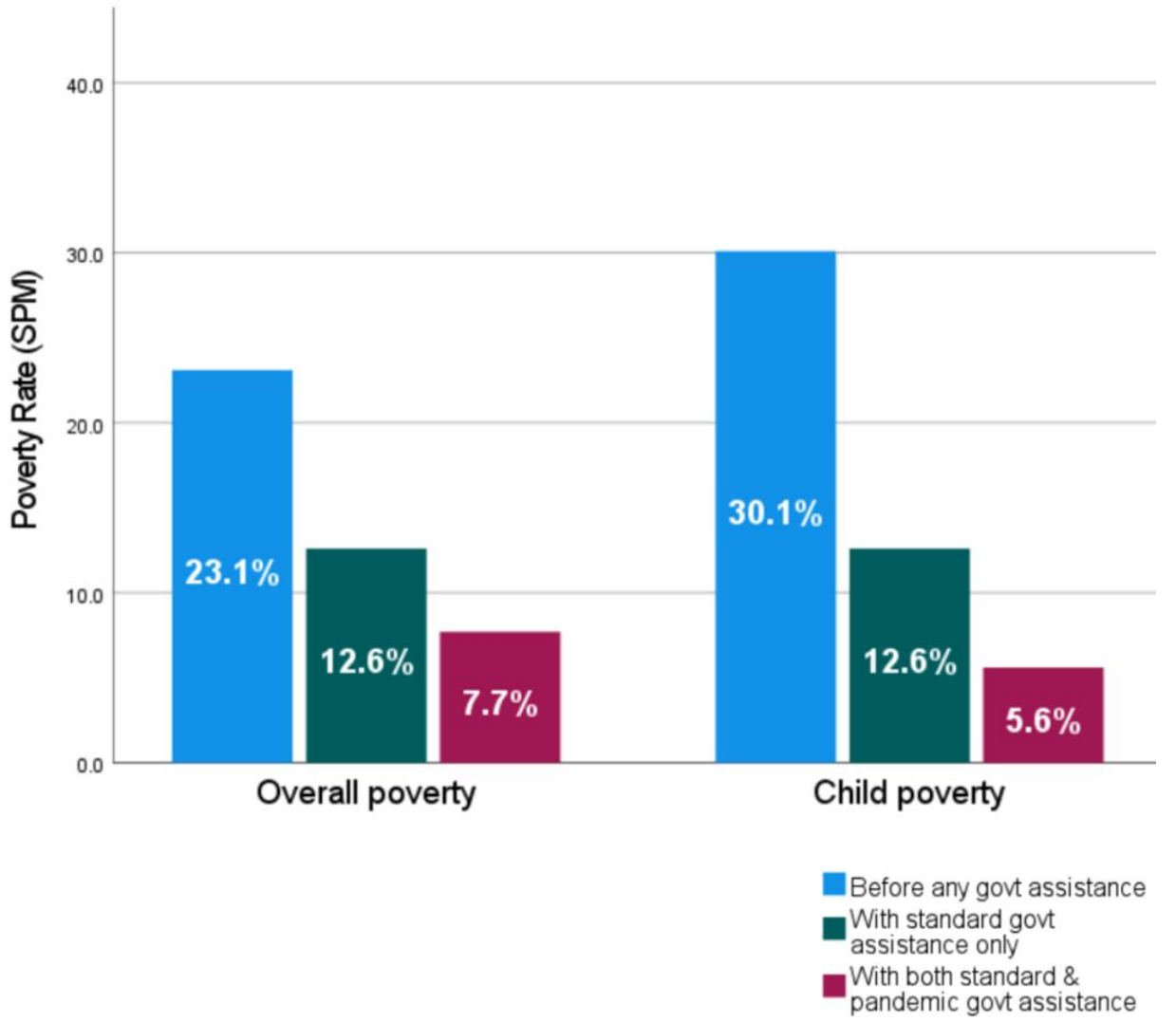
For starters, somebody must pay for them. There are no objectively ‘right’ or ‘wrong’ answers to how much assistance should be offered or who should foot the bill—these are determinations only voters and their elected representatives can make based upon their subjective values and priorities.

Something else to consider about permanent implementation is a possible negative macroeconomic implication that many Americans became familiar with in 2022: inflation. We reached out to David Wessel, a senior fellow in economic studies at the Brookings Institution

\

[8] Also refer to Table 9 in Appendix C for how effective different countries are at reducing income inequality.

FIGURE 5. Projected U.S. Poverty Reduction in 2021.



Note: These are projections by scholars at the Urban Institute as the U.S. Census Bureau has not yet released poverty data for 2021 at the time of this article's writing.
Source: Wheaton et. al. 2021, p. 19.

and director of their Hutchins Center on Fiscal and Monetary Policy, to help us understand this concern.

He explained that today's inflation is likely due to a combination of factors, including particularly strong demand for goods during the pandemic, the unanticipated reluctance of millions of workers to return to the job market, China's 'zero COVID' policies, and supply chain issues.

An additional factor Wessel cited was the fiscal stimulus of late 2020 and early 2021. He said he does not believe that the stimulus was a bad idea, especially for low-income families, but that it could have been better designed to prevent inflationary effects:

> 'I think the size of the March 2021 American Rescue Plan (ARP) was too big, especially on top of the December 2020 legislation. The Fed could have responded to the larger-than-anticipated ARP, but it didn't. I do think the Child Tax Credit may have been too generous toward upper-middle-class families, but full refundability for those who do not owe taxes is a very good social and economic policy. We shouldn't be reluctant to help people at the bottom of the income scale because we are worried about the inflationary effect—we can offset that in other ways.'

Laura Wheaton and her coauthors on the Urban Institute study cited previously conclude their research report by saying:

> 'Our projections demonstrate that government benefits can reduce poverty well below traditional levels when substantial resources are devoted to that task. Policymakers who want to make some aspects of the higher level of support permanent will need to consider the appropriate levels and types of increased supports, the best ways to fund such efforts, and the potential macroeconomic implications of various choices' (2021, p. 27).

Wheaton's study, our cross-national analyses, and several studies by other scholars reveal that government programs can work very well in reducing poverty. They provide us useful evidence to continue the conversation of the best ways to address poverty and inequality in the U.S. However, we should not understate that additional government programs do come with extra costs, and they must be properly designed to account for all possible negative social and economic impacts.

In Conclusion

The take-home messages from our analyses might be summed up as follows. First, the U.S. working class fared well compared with peer countries and very well compared with middle- and low-income countries. Second, American poverty was about average in our analysis when using an absolute measure, and high when using a relative one. Third, our comparisons between the U.S. and Mexico underlined just how different the experiences of the poor and working class are in different countries. Fourth, evidence from other wealthy countries, as well as the U.S. in 2021, shows that government can be quite effective in improving the lives of those with low earnings.

APPENDIX A: HEALTH CARE RANKINGS

TABLE 8. U.S. Health Care Compared with 10 Peer Countries.

Country	Safety rank	Timeliness rank	Efficiency rank	Choice rank	Cost rank
Australia	9	6	2	-	3 ($4,919)
Canada	4	11	7	-	5 ($5,370)
France	6	4	5	-	4 ($5,274)
Germany	9	2	9	-	8 ($6,518)
Netherlands	5	1	8	-	7 ($5,739)
New Zealand	1	8	4	-	1 ($4,212)
Norway	11	6	1	-	9 ($6,745)
Sweden	8	10	3	-	6 ($5,552)
Switzerland	7	3	10	-	10 ($7,138)
United Kingdom	2	9	6	-	2 ($4,500)
United States	2	5	11	-	11 ($10,948)

Source: Eppard 2022.

APPENDIX B: ABSOLUTE POVERTY METHODOLOGY

This section introduces a technique to measure absolute poverty in a cross-national perspective, taking the absolute thresholds defined by the U.S. Census Bureau as the baseline for other countries.

For this exercise, we used data from the Luxembourg Income Study (LIS) database, selecting advanced countries which reached GDP per capita of above $10,000 in the latest year, where data were available (no later than 2019 to keep analyses unaffected by COVID measures).

The U.S. Census Bureau poverty thresholds vary by size of family and number of children, and are adjusted every year for price changes, hence various adjustments to the micro data are needed to apply the respective poverty thresholds to calculate poverty headcount ratios.

In a first step, to accommodate for differences in PPPs, the values of national currencies were divided by the PPP conversion factors for the respective years, using the PPP rates provided by the World Bank Development Indicators available and quarterly updated on the LIS website.

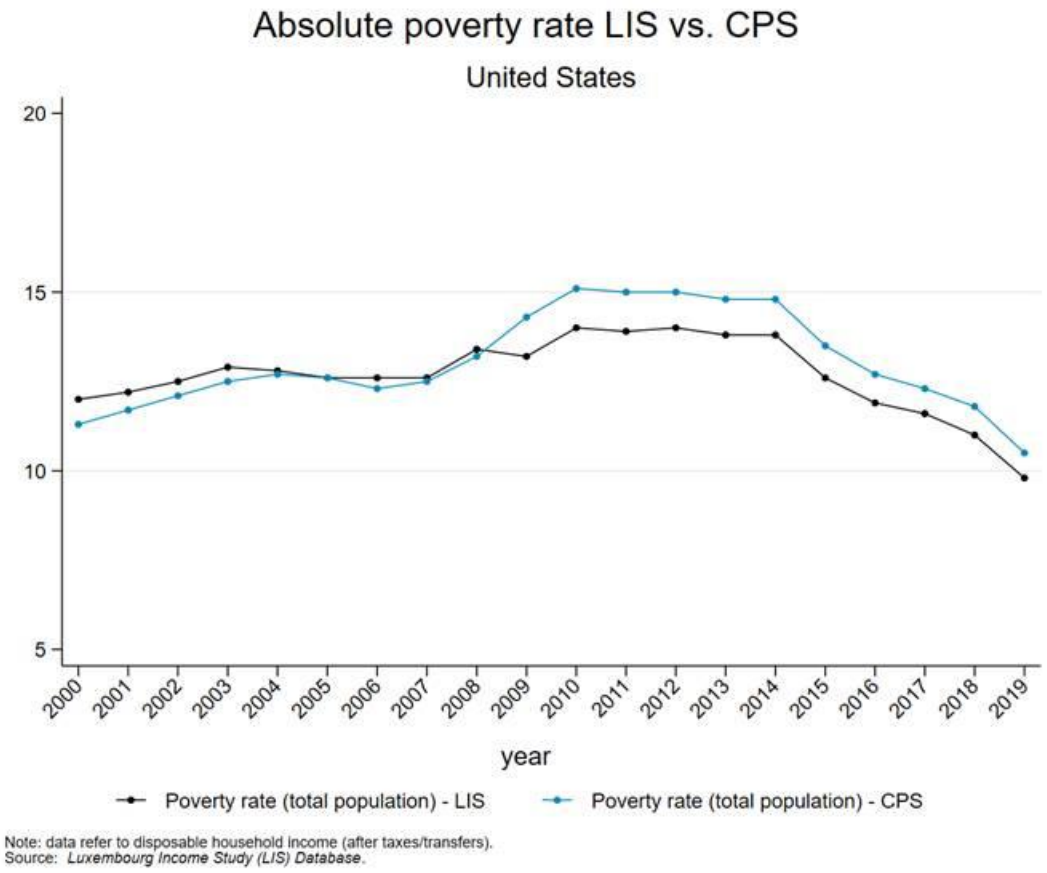
Children of the head (and/or spouse) were treated as dependent children, as long as these children are aged below 18, or are not yet mainly working in the age of 18-24. However, when the latter already have a spouse and/or own children living with them, they do form their own family and are no longer counted in the head's family.

In the LIS survey data, benefits are frequently directed to the household rather than the tax or family unit. Thus, rather than recreating individual family income, and reallocating household amounts to the families, household's total income was proportionally split according to the size of each family in the household. This seems justifiable, since these families form households. It is not obvious which incomes belong to which members, but more generically, budget sharing is assumed. Following the U.S. definition, which closely follows the idea of monetary flows, the value of near-cash and in-kind transfers (such as housing subsidies and food stamps) are excluded from the income definition.

This method does not replicate the U.S. concept to the letter, but it allows an approximation of a harmonized cross-nationally comparable definition of poverty instead, going systematically back to family units. Thus, the numbers for the United States were recalculated using the proposed approximation for family identification for the LIS U.S. datasets. In terms of absolute numbers, this approximation leads for dataset us19 (based on CPS-ASEC 2020) to a poverty rate of 9.8%, whereas the official number is reported at 10.5%. The figure below shows how the harmonized concept compares to the official CPS poverty rates over time for the period 2000-2019.

In this analysis, contributory pensions by the state are kept alongside the redistributive component of the state. For the case of Finland, the outcome of the tripartite pension agreements between state, employer associations, and trade unions are reclassified for this comparison as part of public redistribution. We acknowledge that alternative treatment for pensions as deferred wages could be argued. However, due to the complex national settings and cross-financing of pension payments and redistributive elements embedded in public pensions, no ideal fully cross-national definition

can be reached, and future analyses might separate out specifically the effect of different components of pensions in a cross-national perspective. Selected in this overview are only datasets for which taxes and contributions were available in the LIS Database.



APPENDIX C: INTERNATIONAL INEQUALITY REDUCTION

TABLE 9. Cross-National Comparison of Income Inequality Reduction.

Country	Pre-tax/transfer Gini	Post-tax/transfer Gini	% Gini reduction
Slovak Republic	0.387	0.236	39.0
Slovenia	0.444	0.246	44.6
Czech Republic	0.432	0.248	42.6
Iceland	0.369	0.250	32.2
Norway	0.427	0.261	38.9
Belgium	0.489	0.262	46.4
Denmark	0.443	0.263	40.6
Finland	0.509	0.269	47.2
Austria	0.486	0.274	43.6
Sweden	0.430	0.280	34.9
Poland	0.452	0.281	37.8
Hungary	0.463	0.286	38.2
Germany	0.494	0.289	41.5
France	0.519	0.292	43.7
Ireland	0.520	0.292	43.8
Netherlands	0.445	0.295	33.7
Canada	0.421	0.301	28.5
Estonia	0.465	0.305	34.4
Luxembourg	0.490	0.305	37.8
Greece	0.525	0.308	41.3
Portugal	0.511	0.310	39.3
Switzerland	0.402	0.316	21.4
Russia	0.434	0.317	27.0
Spain	0.491	0.320	34.8
Australia	0.454	0.325	28.4
New Zealand	0.453	0.326	28.0
Italy	0.511	0.330	35.4
Japan	0.501	0.334	33.3
South Korea	0.404	0.339	16.1
Romania	0.512	0.339	33.8
Israel	0.449	0.342	23.8
Latvia	0.479	0.345	28.0
Lithuania	0.495	0.357	27.9
United Kingdom	0.508	0.366	28.0
United States	0.505	0.395	21.8
Turkey	0.492	0.397	19.3
Bulgaria	0.523	0.402	23.1
Chile	0.495	0.460	7.1
Costa Rica	0.532	0.478	10.2
Brazil	0.582	0.481	17.4
India	0.508	0.495	2.6
South Africa	0.709	0.618	12.8

Source: Authors' calculations based on OECD data (2022a).

Author Bios

Lawrence M. Eppard is a sociology faculty member at Shippensburg University and host of the Utterly Moderate Podcast (ConnorsForum.org).

Jörg Neugschwender is a data team manager at the LIS Cross-National Data Center in Luxembourg.

Erik Nelson is a public health faculty member at Brigham Young University.

Bibliography

Bureau of Labor Statistics (BLS). (2022a). 'Occupational Employment and Wage Statistics.' https://www.bls.gov/oes/home.htm.

Bureau of Labor Statistics. (2022b). 'CPI Inflation Calculator.' https://www.bls.gov/data/inflation_calculator.htm.

Center on Poverty & Social Policy at Columbia University (CPSP). (2022). 'Historical Supplemental Poverty Measure Data.' https://www.povertycenter.columbia.edu/historical-spm-data.

Draught, T. (2018). 'Understanding the Working Class.' Demos. https://www.demos.org/research/understanding-working-class.

Eppard, L.M. (2022). 'U.S. Health Care Compared with Other Wealthy Countries.' Connors Forum. https://connorsforum.substack.com/p/us-health-care-compared-with-other?s=w.

Eppard, L.M., E. Nelson, C. Cox, and E. Bonilla-Silva. (2020). 'Obligations to the Future.' *Journal of Working-Class Studies*, 5(2), 6-69. https://workingclassstudiesjournal.files.wordpress.com/2020/10/jwcs-vol-5-issue-2-october-2020-eppard-nelson-cox-bonilla-silva.pdf.

Eppard, L.M., and E. Nelson. (2022). 'Race and Place: How Community Disparities Affect Inequality.' *The Bulwark*. June 9, 2022. https://www.thebulwark.com/race-and-place-community-disparities-and-inequality/.

LIS Cross-National Data Center in Luxembourg (LIS). (2022a). 'Data Access Research Tool (DART).' https://dart.lisdatacenter.org/.

Luxembourg Income Study (LIS). (2022b). https://www.lisdatacenter.org/.

Mazumder, B., M. Corak, and L.M. Eppard. (2021). 'Social Mobility in the United States.' *Sociation*, 20(1). https://sociation.ncsociologyassoc.org/wp-content/uploads/2021/04/socialmobility_transcript.pdf.

Organisation for Economic Co-operation and Development (OECD). (2022a). 'Income Distribution Database by Measure.' https://stats.oecd.org/.

Organisation for Economic Co-operation and Development (OECD). (2022b). 'Population Coverage for Health Care.' https://www.oecd-ilibrary.org/sites/ae3016b9-en/1/3/5/1/index.html?itemId=/content/publication/ae3016b9-en&_csp_=ca413da5d44587bc56446341952c275e&itemIGO=oecd&itemContentType=book.

Sackett, C. (2016). 'Neighborhoods and Violent Crime.' United States Department of Housing

and Urban Development. https://www.huduser.gov/portal/periodicals/em/summer16/highlight2.html.

Sampson, R.J. (2019). 'Neighbourhood Effects and Beyond: Explaining the Paradoxes of Inequality in the Changing American Metropolis.' *Urban Studies*, 56(1), 3-32. https://journals.sagepub.com/doi/full/10.1177/0042098018795363.

Sharkey, P. (2013). *Stuck in Place: Urban Neighborhoods and the End of Progress Toward Racial Equality*. Chicago, IL: The University of Chicago Press. https://press.uchicago.edu/ucp/books/book/chicago/S/bo14365260.html.

Trust for London. (2022). 'Crime and Income Deprivation.' https://www.trustforlondon.org.uk/data/crime-and-income-deprivation/.

U.S. Census Bureau. (2021). 'Health Insurance in the United States: 2020.' https://www.census.gov/data/tables/2021/demo/health-insurance/p60-274.html.

U.S. Census Bureau. (2022a). 'Poverty Thresholds.' https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html .

U.S. Census Bureau. (2022b). 'About Public Assistance.' https://www.census.gov/topics/income-poverty/public-assistance/about.html#:~:text=Supplemental%20Security%20Income%20(SSI),including%20Pass%20through%20Child%20Support.

Wheaton, L., L. Giannarelli, and I. Dehry. (2021). '2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures.' Urban Institute. https://www.urban.org/sites/default/files/publication/104603/2021-poverty-projections_0_0.pdf.

World Bank. (2022). 'Global Database on Intergenerational Mobility.' https://www.worldbank.org/en/topic/poverty/brief/what-is-the-global-database-on-intergenerational-mobility-gdim.

Zweig, M. (ed.). (2004). *What's Class Got to Do with It? American Society in the Twenty-First Century*. New York: ILR Books. https://www.barnesandnoble.com/w/whats-class-got-to-do-with-it-michael-zweig/1135340737.