THE CAUSES OF POVERTY

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Executive Summary

This paper is an inquiry into the causes of poverty. By poverty we mean a circumstance of serious deprivation where a person lacks one or more basic need—as opposed to a condition of inequality. The question we wish to try to answer is this: Why do some people find themselves in a circumstance of serious deprivation and, more importantly, why are some able to escape poverty fairly easily while others endure persistent, long-term poverty?

This study’s working hypothesis is that there are two broad categories of the “initiating causes” of poverty—bad luck and bad choices. Bad luck means that we have no ability to avoid poverty. It is inevitable given the circumstance we find ourselves in. People caught in the middle of a war zone, people living through extreme weather events (droughts, floods, earthquakes, etc.), and people who live under maniacal autocracies where choice is severely limited or non-existent—all could be impoverished as a result of bad luck. In most western nations (which operate under a democratic system which has respect for basic rights and the rule of law) luck is less important as an explanation of poverty, but is still a factor. People born with inherited diseases or disabilities, people who face serious discrimination, and children who are raised by bad, abusive parents are all at higher risk of encountering poverty. However, while many are touched by poverty, only a small portion remain in poverty over the longer term, and their doing so depends both on the choices they make and the opportunities (or impediments) to upward mobility. This paper focuses attention on “choice” rather than luck as a more compelling explanation of poverty in modern democratic nations like Canada and the United States, and also focuses on the role that the state plays in enabling poverty.

None of us get to choose exactly where we end up in life. As we move out of childhood and begin to assume more autonomy over our own lives, we make thousands of decisions. These choices are always made without perfect information and with a variety of constraints and restrictions, most of which are inherent in the human condition. If we make enough good choices and avoid some really bad ones, we end up living in relative comfort and safety. By the time we enter adulthood, we recognize that making bad choices (“bad” as defined by the decisionmaker himself
either at the time of the decision or subsequently) involves negative consequences. Those bad outcomes hurt. They make us worse off. But, in the process, they help us make better decisions in the future.

A third factor is important in explaining poverty, especially the kind of persistent, longer term poverty that is especially pernicious. We can say that poverty is “enabled” when systems and structures are in place to discourage the kinds of efforts that people would normally make to avoid poverty, i.e., find employment, find a partner (especially if children are present), improve one’s education and skill set, have a positive outlook, and take personal responsibility for your own actions. Ironically, it is government programs (welfare, in particular) that are intended to help the poor but end up actually enabling poverty.

This paper highlights a 2003 Brookings Institution study that identifies bad choices as the primary initiating cause of poverty in America. Specifically, the study shows that basic choices about education (at least finishing high school), work (acquiring a full-time job), and family (getting married before having kids and only having the number of children you can afford), are critical to avoiding poverty. The Brookings study concludes that if these three basic societal norms are followed, your chance of falling into poverty is less than 3 percent. The Brookings authors, Isabel Sawhill and Ron Haskins, urge that anti-poverty efforts be directed toward encouraging people to follow these norms and to take responsibility for their own lives. Both authors would like to see an end to poverty and a more egalitarian society and they argue strongly that “playing by the rules” is the solution to poverty, not a welfare system that simply redistributes income.

In a follow-up policy paper, the Brookings Institution assembled a panel of experts representing various perspectives to outline the principal causes of and solutions to poverty. It lays out a plan of action that is broadly similar to the Sawhill-Haskins proposals and clearly implies that behavioural factors (i.e., choices) are the primary cause of poverty and that with the right policies and incentives as well as the expectation of personal responsibility, behaviours can change. Specifically, the experts suggest policies that promote cultural norms relating to parenthood and marriage, promote delayed, responsible childbearing, increase access to effective parenting education, improve skills and make work pay for the less educated, and increase public investments in early childhood education.

The Canadian evidence is similar to that presented for the United States. When social norms like finishing high school, getting a full-time job, and having children only after getting married are followed, poverty rates are extremely low (less than 1%) using 2015 data. Single-parent families, especially in those cases where the parent was never married, have among the highest incidence of poverty in Canada, as is the case in the US.
Yet, single parent families where the parent is employed full-time reduce their risk of poverty more than four-fold.

Unless poverty is “enabled,” most people, regardless of their disadvantage, manage to escape poverty. So, bad choices and bad luck are not destiny. Enablement effectively reduces the cost of bad choices and makes them more likely. Bad choices can be enabled by ineffective and counterproductive policy. For example, the existing welfare system, undoubtedly developed with good intentions to help the poor, turns out to be the key enabler of poverty. In practice, a system that has no employment strategy for clients, has no requirements of them, and expects nothing from them, is simply unhelpful. It slowly traps some people, especially those with low self-esteem and little confidence, into a child-like state of dependency and permanent low income.

Anyone who cares about the poor and wants to eliminate this horrible predicament needs first to understand what causes poverty. This paper suggests that a useful framework for understanding poverty is to look at bad luck and bad choices as the proximate causes, and to enablement as the key explanation for persistent and enduring poverty. I have argued that bad choices are the dominant initiating cause of poverty in countries like Canada and the US, and that state policies like welfare are the critical enablers of poverty. I largely agree with the diverse Brookings Institution panel that the identification and promotion of beneficial personal life choices (such as those relating to education, work, and family) as well as the avoidance of counterproductive and harmful government policies are the obvious policy takeaways from this paper’s analysis.
Introduction

It is fair to say that much public policy and government expenditure is geared, directly or indirectly, to the poverty issue. To begin with, there are myriad focused anti-poverty programs at both the federal and provincial levels (with, apparently, more to come). But Canada also has the kind of health care system it does and the kind of public education system it does in large part because of the poor. Given the billions of public dollars spent every year on poverty, directly or indirectly, one would think that the government would, by now, have a comprehensive understanding about the nature and causes of this predicament.

Unfortunately, that is not the case. No document or study provides deep insight into the causes of poverty. There is no study of the poor themselves and their own answers as to causes, no survey of experts (especially in the behavioural sciences) canvassing their understanding of the problem, and no experimental work that might provide useful insights. What we do have are the voices of social activists who are certain that they, alone, have the answers as to what causes poverty.

The purpose of this paper is to assemble what information and insights we do have about the causes of poverty. These insights, which come largely from American social scientists, help frame a basic theory of poverty. Specifically, we can suggest that poverty is caused by one or a combination of the following factors: bad luck, bad choices (as defined by the subjects themselves), and enablement. The paper examines each factor in detail and assesses them for their relevance to Canadian society. It determines that “bad luck” is a relatively minor consideration in the current Canadian context and the latter two causes, bad choices and enablement, are better able to explain poverty, especially longer duration poverty.

Empirical evidence from US sources supports the theory that bad choices are the most important component in explaining contemporary poverty. Indeed, researchers at the Brookings Institution have recommended that ways be found to change the behaviour of the poor to have them adopt widely held social norms related to work, marriage, and

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1 A number of years ago, the Library of Parliament attempted to address the question but the result was a very superficial and unscientific treatment. See Echenberg (2012) for the revised version of that document.
education. Canadian empirical evidence also supports the view that bad choices are important. Finally, researchers and other experts in both countries provide evidence that social programs are not helping the poor and are trapping many in a more permanent state of low income, dependency, and demoralization. So the government itself may actually be “enabling” poverty.
Definitions

I start this inquiry, appropriately, with a few definitions. It will not necessarily be obvious to everyone reading this paper what exactly the condition of poverty is or what constitutes a “cause.” So let’s get specific.

Poverty, it turns out, is defined differently depending on who you talk to. Traditionally, people thought of the poor as those who were suffering an unhealthy level of deprivation. Terms like “insufficiency” and “a lack of basic necessities” crop up frequently in dictionary definitions and in descriptions of the condition of folks living in poverty. This understanding of poverty is often referred to as “absolute” poverty. However, in recent decades, an alternate definition has gained currency, particularly within the broader “social justice” community. This newer approach to understanding poverty defines it as a condition of “relative” privation. In other words, you are poor if you are significantly less well off than most others in your society, regardless of your actual standard of living.

This relative approach looks at poverty as a condition of being unequal rather than as a situation of insufficiency. It is not necessary that people defined as poor are actually lacking anything deemed a necessity. It is sufficient that there be a wide gap between what they have and what most others have. The simplest formula used to measure relative poverty is any household income, adjusted for household size, that falls below half the median income (in Europe, it is more like 60 percent of median income in several countries). What is important to understand about the relative approach is that it is an attempt to employ a “compassionate” definition of poverty. The social sciences would normally prefer an objective, functional definition guided by common usage and by the nature of the problem under examination. So introducing compassion at the definition stage is, I think, distinctly unscientific.

Elsewhere, I have critically examined the relative approach (see Sarlo, 1996: 25–34; Sarlo, 2001: 17–18; and Sarlo, 2013: 2–8) and found that it really measures inequality and not poverty as most people understand that term. It is instructive that, after much debate at the 1995 UN-sponsored summit on social development held in Copenhagen, nations of the world resolved to measure both relative and absolute poverty and, more import-
antly, resolved to eliminate absolute poverty within a time frame suitable for each nation given its particular circumstance. This suggests, pretty clearly, what national governments right across the board determined to be the more pressing concern.

For the purpose of this paper, I will use a more traditional, absolute definition of poverty. It seems to me that we already have a significant literature about the causes of inequality. While that topic is not without interest, the question I wish to address here is what are the causes of the condition of serious and potentially health-threatening insufficiency. So, that will be the focal point of this inquiry. Formally then, for this study, poverty is a condition where an individual has insufficient means (or resources) to be able to acquire all of the basic needs required for longer term physical well-being.

### The data and measurement issues

Once the object of the exercise is clearly identified, we next need to have a way to empirically measure it. Specifically, what indicator or measuring stick should be used to determine the extent of poverty? Income is the most likely candidate both because in many cases it adequately represents the potential living standard that can be purchased and it is the most widely available statistical series in most countries. There are, however, some problems with income.

First, the income data that researchers use is drawn from randomized surveys and are based on respondents' reported incomes. Clearly, that kind of information is subject to error; in some cases, fairly significant error. People don't always report their true income accurately. One obvious reason for that is tax evasion. If someone is underreporting their income on their tax return, they are most likely going to coordinate that with any number they provide to other agencies. Indeed, respondents now can simply request that their tax return be used for the income portion of the survey.

Do people mis-report their income, either deliberately or inadvertently? In a 2015 paper, Bank of Canada researchers Dunbar and Fu attempted to answer this question. They examined two leading Statistics Canada surveys, the Survey of Household Spending and the Survey of Household Spending and the Survey of

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2 The author has developed, in considerable detail, a basic needs poverty measure in earlier work. That work includes a fairly comprehensive justification of the measure in a contemporary context.

Financial Security. They compared the survey results with other sources of information and concluded that 35 to 50 percent of respondents under-report some income. For households with an annual income of less than $20,000, between 60 and 70 percent appear to be underreporting. The authors also note that the problem of underreporting appeared to increase over the time of their study: 1998 to 2004. Further, the total amount of underreported income is substantial, approximately 14 to 19 percent of GDP. They conclude by expressing concern that “poverty measures that rely on reported income appear unreliable” (Dunbar and Fu, 2015: 4) because of the underreported income. Presumably, studies of income inequality would be similarly compromised by unreliable and potentially increasingly underreported income particularly at the bottom end.

Second, income may not always adequately reflect realized or even potential living standards. This may be because people have other resources upon which they can draw but which are not typically counted as income. Canada’s roughly one million college and university students, as well as young adults in general, are prime examples. Any gifts from parents, relatives, or supporters as well as student loans substantially supplement a young person’s budget but, understandably, are not considered income. So, one might find a student or even a non-student young adult with an income well below the poverty line but their budget may be approximately balanced due to gifts, contributions, and loans.

Income may also not adequately reflect a household’s standard of living if there is substantial borrowing or saving. The former allows the household to enjoy consumption well beyond its income (presumably making it better off in an immediate material sense) and the latter will have a household enjoying much less consumption in the current period than income allows, and thus, for some observers, reduces its well-being below what its income would allow. So, while generally income is a reasonable proxy for a household’s standard of living, there are clearly a non-trivial number of cases in which it is not. That this is the case doesn’t mean that we throw income out the window, but simply that we are aware of its limitations and share those limitations with readers.

Consumption rather than income?

Perhaps researchers could use consumption as an alternative to income? Consumption, as a data series, represents expenditures by households on the various items that they buy. Surely this information is superior to income because it is one step closer to the household’s actual standard of living. There is some merit to that argument and, to the extent that con-
sumption data is available, it could be a possible complement to, or even an alternative to, income poverty.

However, as interesting as it is, consumption is by no means a perfect indicator. There are several compelling concerns with it. First, because consumption data is drawn from self-reporting surveys, it will be subject to the same kinds of sampling errors, reporting errors, and imputation errors as income data. Second, the treatment of durable goods becomes a real issue. If a household has a mortgage-free home, its spending will be substantially less than a household with a large mortgage loan on a comparable home, yet the shelter “services” in both cases should be very similar. The same is true for other durable goods that yield a stream of services over a long period (like automobiles, furnishings, etc.) although not to the same extent as homes. The point is that actual spending may not always adequately reflect a household’s true living standard. There are additional issues with consumption that need not be treated here (see, for example, Sarlo, 2016: 6–8). Finally, it is the case that consumption data is not always available as a microdata file for easy use by researchers. In Canada, for example, Statistics Canada stopped providing the public use Survey of Household Spending microdata file in 2009.

Therefore, despite the issues with income, it continues to be the preferred indicator for the empirical work in the study of poverty and inequality. This study, too, will use income, albeit reluctantly, given the lack of a better alternative. It is surprising how few reports and even academic papers on the measurement of poverty and inequality warn their audience about the weaknesses of income, either conceptually or in terms of the actual data drawn from surveys. It is as if anything coming from Statistics Canada must be true. It is important for the purpose of transparency and clarity to identify the flaws in the data. Studies that fail to do that are suspect, especially if they draw firm conclusions about the level of poverty (or inequality) based on income data.

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4 This includes surveys that use tax returns. There seems to be a belief that, somehow, tax return data is an accurate rendition of actual incomes.
What constitutes a cause of some outcome? In the most general terms, a cause is anything that can produce an effect. Scientists distinguish three categories of causal connections. The first is a “necessary” cause. A is a necessary cause of B if, when B occurs, A necessarily precedes B. Note that the mere presence of A does not necessarily imply that B must occur. The second is a “sufficient” cause. We can say that A is a sufficient cause of B if, when A occurs, B must subsequently occur. And, here again, it is important to note that if B occurs, it does not necessarily imply that A must have occurred. There could be other things that also cause B. Finally we have the third category of “contributory” causes, where an effect has several contributing causes, each with varying weights.

In the social sciences, we mainly deal with contributory causality. The fact is that human behaviour is complicated and there are routinely multiple factors at play when we try to understand outcomes. Things aren’t as neat and tidy as might be the case in the physical sciences. For example, if one were to suggest that bad choices (“bad,” that is to say, in the assessment of the poor person himself) are a cause of poverty, one does not exclude other causal factors. Complicating things still further is that the weight given to each of the possible factors will vary between individuals and for the same individual over the course of his life. So, firm and universal assertions about the cause of poverty are not possible.

A significant issue in trying to sort out the cause of a particular phenomenon is the failure to make a clear distinction between causation and correlation. The fact that two phenomena are highly correlated (i.e., tend to occur together) does not necessarily mean that there is an underlying causal relationship. To suggest that there is likely to be a causal connection, you must demonstrate three things: 1) a sound theoretical rationale for your belief that there is a causal connection; 2) that you have considered (and addressed) the “third” variable issue (as will be explained in more detail below); and 3) that you have gathered relevant data and employed appropriate statistical tests the results of which show empirical support for your causal contention.
This, of course, is a tall order. Most often, the empirical testing represents the biggest challenge. It is not always easy to find the appropriate data that could be used to test your causal hypothesis. So, it is frequently the case that, after steps 1 and 2, we are left with a reasonable but perhaps untestable statement of causation. In that case, our contention that A causes B will be tentative and ultimately its usefulness will depend on the quality of the theory that underpins it. Of course, all knowledge is tentative in any case.

The third variable problem is an interesting and important but often overlooked consideration when sorting out causal relationships, especially in journalistic treatments of social issues. Let’s consider a common example. Do churches cause crime? What we notice is that in American cities, the more churches there are, the higher is the crime rate. But does that mean that churches cause crime? Sociologists and economists are likely to explain the apparent connection this way: The greater the population of an urban centre, the more churches it is likely to have. But, as well, large urban concentrations have more crime due to the increased pecuniary rewards, the reduced risk of arrest and recognition, and, most importantly for researchers, the greatly increased number of female-headed single parent families (see Glaeser and Sacerdote, 1999). So, the third variable here could be a proxy for urban pathologies, namely, city size.

A combination of the third variable problem and the complex nature of poverty (having multiple causal and feedback connections) occurs when we examine the relationship between poverty and health. It is well known that the lower the income level of a household, the worse its health outcomes are, on average. We would expect that that relationship would take a discernable jump lower once we cross below the poverty threshold, as defined here. This is because that threshold represents a minimum level of basic needs required for longer term physical well-being. But there are many other factors at play as well. We know that both health condition and attributes related to poverty are heritable. We have solid evidence that smoking is more common among households with low income than those with above average incomes, and, of course, smoking is a clear health hazard. And, we know, as well, that some of the pathologies connected with low-income neighbourhoods (such as crime and drugs) are independent factors affecting health. So, we have to be very careful to avoid simplistic statements of causal connections.

The only reason why we can’t show that empirically is because poverty and health researchers have not addressed the obvious: does real poverty itself, not just income, have an independent impact on health?
Transitional versus Longer-Term Poverty

We know intuitively that, over the course of a lifetime, people’s socio-economic situation moves around quite a bit. For many, natural lifecycle rhythms help explain much of the variation in living standards. Typically, the young are more likely to have lower incomes while they are students and while they try to adjust to the labour market and life as an adult. From there, economic fortunes usually improve substantially as people move forward in their careers and make choices regarding family formation, home ownership, saving, and investment. The vast majority of people experience their peak wealth around retirement and are able to leave the workforce behind in relative comfort. Any variation in this dominant theme is likely to be fairly temporary as people adjust to events such as job loss, divorce, business or investment failure, and other kinds of shocks and surprises. So, for most in this situation, any poverty they might experience is likely to be short-term or transitional. As long as the country has a strong labour market and a variety of insurance instruments, most people can rebound from these events and get back on track. In this sense, transitional poverty is not a real concern.

However, for a small number of people, poverty is “sticky.” Once they fall into poverty, they will find it very difficult to escape. Longer-term poverty is a real concern because when people, especially children, suffer on-going deprivation, they also suffer all of the physical and psychological effects that typically accompany persistent poverty. The negative feedback effects are particularly pernicious. As poverty persists, people become demoralized and fatalistic about their future. This sense of hopelessness is reinforced if others, especially our “helping” institutions, appear to give up on the poor, and the poor, in turn, tend to give up on themselves. They may, at some point, simply resign themselves to being poor as their normal condition. At that point, a strong labour market is not by itself going to solve the problem.

The literature on the dynamics of poverty can shed some light on the distinction between shorter and longer-term poverty as well as the dimensions involved. A 2011 study by Statistics Canada examines more recent
panels of the SLID longitudinal database, which follows the same households over a six-year time frame. The study *Low-income Dynamics and Determinants* looks at the persistence of low income over two different time frames and for various potential risk groups in society.

Table 1 provides an excerpt of the results of this study. For both time frames, the baseline probability is the overall rate of low income for households. It uses the Statistics Canada Low Income Cut-Offs (LICO) as a measurement indicator and provides a useful basis for comparison. The categories selected for inclusion in this table are ones that are typical higher risk groups or that are mentioned in the literature as of particular

### Table 1: Probability of Being in Low-Income

**Probability (%) of Being in Low-Income under LICO, 1999-2004**

<table>
<thead>
<tr>
<th></th>
<th>At Least One Year</th>
<th>At Least Four Years</th>
<th>All Six Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Probability</td>
<td>8.6</td>
<td>1.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>23.7</td>
<td>10.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Unattached Person</td>
<td>23.1</td>
<td>11.7</td>
<td>8.2</td>
</tr>
<tr>
<td>Persons with activity limitations</td>
<td>14.9</td>
<td>7.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Less than high school education</td>
<td>7.3</td>
<td>3.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Family composition changed</td>
<td>7.0</td>
<td>0.2</td>
<td>0</td>
</tr>
<tr>
<td>Immigrant after 1986</td>
<td>6.7</td>
<td>2.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Student in 4 years</td>
<td>4.4</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Visible Minority</td>
<td>0.8</td>
<td>0.6</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**Probability (%) of Being in Low-Income under LICO, 2002-2007**

<table>
<thead>
<tr>
<th></th>
<th>At Least One Year</th>
<th>At Least Four Years</th>
<th>All Six Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Probability</td>
<td>8.4</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>18.0</td>
<td>6.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Unattached Person</td>
<td>24.5</td>
<td>17.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Persons with activity limitations</td>
<td>13.4</td>
<td>7.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Less than high school education</td>
<td>5.6</td>
<td>2.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Family composition changed</td>
<td>5.0</td>
<td>1.0</td>
<td>0</td>
</tr>
<tr>
<td>Immigrant after 1989</td>
<td>14.1</td>
<td>2.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Student in 4 years</td>
<td>4.0</td>
<td>0.2</td>
<td>0</td>
</tr>
<tr>
<td>Visible Minority</td>
<td>1.5</td>
<td>1.4</td>
<td>0.9</td>
</tr>
</tbody>
</table>

interest (for example, visible minority). It is important to underline that the values in this table are determined for low income, which is, at best, a very rough proxy for poverty. Nevertheless, the trends (if not the actual values) shown for low income should be broadly similar to those for poverty, as defined here.

The table’s top panel examines the probability of being low income for selected categories during the period from 1999 to 2004. Starting with the baseline probability, it is noteworthy that the condition of low income seems to be relatively transitory for most people. While 8.6 percent of the population was low income for at least one of the six years, only 1.4 percent were low income for at least four years, and less than 1 percent were in that predicament for all six years. As someone who has studied the measurement of poverty and deprivation for several decades, I think that this is a very important finding, though it is one that is rarely mentioned. Most people seem to be able to escape low income, at least in general. The Statscan study’s authors acknowledge that “transitory low income is very much a life cycle phenomenon, with transitory low income being more prominent in certain age groups and among unattached people” (Statistics Canada, 2011, abstract).

If we consider low income to be fairly persistent when people are in this condition for at least four years of a six year span, then poverty appears to be the most “sticky” for the following categories: lone parents, unattached individuals, persons with activity limitations due to disability, and people with less than high school education. For the other groups (recent immigrants, students, and people whose family composition changed, often because of divorce or death of family member), there is a much greater ability to escape low income. And with visible minorities, there does not seem to be a problem escaping low income, either short- or long-term.

Essentially the same story unfolds in the lower panel in table 1, during the 2002–2007 period. The groups with the highest risk of being in persistent low income are the same: unattached persons, the disabled, those with less than high school education, and lone parents. There is considerable overlap between the first two (unattached and disabled) and, indeed, other risk categories, such as those experiencing family composition change and students. These overlaps help produce the very high rates of low income among unattached individuals. In the 2002–2007 period, recent immigrants appear to have a much higher probability of being in low income for at least one year than in the earlier period, but they display similar resilience and an ability to recover and escape low-income over

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6 See Sarlo, 1996, 2001, for more discussion of the difference between low income and poverty.
time. For students and for those whose family composition has changed, the risk of being low income is small and the duration for which they are in low income is largely temporary. And for visible minorities, again, low income does not seem to be a problem in the 2002–2007 period.

To the extent that low income is a proxy for poverty, we can expect that the same high risk groups will also be high risk for persistent poverty. Clearly, society would be far less concerned if people have temporary bouts of poverty and go on to escape than they would with people who seem to be stuck in poverty. What this paper explores is why it is that people fall into poverty in the first place and, more importantly, why a small portion of the poor seem to stay poor for long durations.
Approaches to Understanding Poverty

The prevailing literature on poverty causation seems to divide broadly into two camps. There are researchers who emphasize the structural causes of poverty and others who favour behavioural or cultural explanations for poverty.

Structural causes

The structural approach points to systemic reasons for poverty: such things as racial and gender discrimination embedded in our markets and institutions; the profit motive and consequent low wages making it difficult for some families to escape poverty; and the failure to invest sufficiently in education, health care, and social insurance. According to this view, all of these factors reduce opportunity and increase economic insecurity. The failure to correct and accommodate the natural differences between people results in an uneven playing field and promotes the creation of poverty. Structural approaches to poverty shine a light on patriarchy, capitalism, white privilege, and racism as being at the root of much of the poverty in western economies. Thus, the structural approach has come to be associated with those on the political left.

Not all of those who emphasize structural causes of poverty buy into the anti-capitalist/racism/patriarchy rhetoric. To the extent that the structural approach focuses primary attention on fundamental heritable differences between people (over which they have no control) as well as barriers to opportunity (often unconscious) in our customs and institutions, then there is a reasonable case to be made that different starting points may influence where we end up. In other words, bad luck can affect how far we progress in life. It would be more difficult, of course, to argue that ending up in poverty is due solely or principally to structural factors.
Behavioural or cultural causes

Without dismissing the fact that our structures, institutions, and systems might help explain poverty, especially the enabling of poverty, there are other researchers who emphasize culture, behavior, and personal differences as the source of much of the poverty that we observe in modern societies. Their argument is that there is a poverty culture or a set of attitudes and behaviours that tends to get passed along from parents to children and tends to perpetuate bad, self-defeating decisions, and hence poverty. Those attitudes (fatalism and the rejection of common societal norms like hard work, rationality, and non-violent dispute resolution) make many of the poor less attractive in the labour and marriage market and less capable parents. This perspective does not suggest that it is easy for low income people to resist these attitudes, but insists that each person has free will and is ultimately responsible for their own life. The behavioural or cultural approach to explaining poverty is typically favoured by those who describe themselves as conservative or libertarian.

Except in one important respect, this paper largely rejects the structural approach to explaining poverty. An economic system with its related social and legal institutions that is dominated by relatively free markets and the profit motive has been extraordinarily beneficial for the poor and the disenfranchised. No other system in human history has helped lift more people out of poverty, as defined here, as has a free market economy. No other system has provided the kind of opportunity for poor people all over the world to gain access to a decent life, or better, based on one’s own merit rather than on class. Patriarchy and racism are simply not compelling explanations for poverty in the twenty-first century. Statistically, there is scant evidence that prejudice is an important factor in determining economic outcomes (see Haskins and Sawhill, 2009: 99).

This paper will argue that personal differences and attitudes between people largely determine where people end up. Those personal differences, partly characteristics like intelligence, appearance, and athletic and social skills, but mostly attributes like self-control, confidence, hard work, resilience, honesty, a positive attitude, and perseverance, are the key to life chances and life outcomes. While some people are born with certain advantages, privilege is certainly not destiny. The critical attributes that are most important to human fulfillment and success can be cultivated.

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7 This is widely accepted and runs across the liberal-conservative divide. Former President Obama expressed just this sentiment in his October 8, 2016 Economist article, “The Way Ahead.”
A Theory of Poverty

The task here is to try to explain how poverty arises in a population and why it persists. It is important to return to our definition of poverty to focus attention on the relevant target group. We should exclude, therefore, many of those who are transitionally poor such as students enrolled at colleges and universities and people who understate their actual income. Generally, we would not include as poor those people who have sufficient overall resources to cover basic needs but whose reported income is below the poverty line. The goal, after all, is to explain a condition of serious deprivation. People who misrepresent and understate (deliberately or not) their income in a way that formally places them below a poverty threshold are simply not in the same predicament.

While every poor person’s situation is unique in some respects, there are commonalities that might allow us to group people into categories, understanding that there will be considerable blurring around the lines. Human existence and the extraordinary variety of human experiences constitute an incredibly complex mosaic. While we understand that the human condition is messy and does not fit into neat compartments, we also find some similarities and patterns that can help us with explanations. I suggest, then, that there are three useful and broad categories of explanations for poverty. They are:

1. bad luck
2. bad choices
3. enablement (predominately via government programs)

Luck

The first category would find nearly universal acceptance. People caught in the middle of a war zone; people living through extreme weather events (droughts, floods, earthquakes, etc.); and people who live under maniacal autocracies where choice is severely limited or non-existent—all could be impoverished as a result of bad luck. In these cases, the cruel vagaries of
nature or the actions of other people condemn people to poverty. Some are able, through extraordinary means (and, often, some good luck) to escape these situations, but for most, that option is unrealistic.

In those parts of the world that have relatively stable weather, democracy and the rule of law, and have economies with predominantly free markets and respect for private property, “luck” might be seen to be unimportant in explaining poverty. However, luck still plays a role (if a less visible one) here as well. For example, there are heritable traits that are associated with poverty, not the least of which is intelligence, and that is not something that you choose. As well, abusive and neglectful parenting considerably raises the risk of children falling into poverty once they grow into adulthood. You don’t get to choose your parents. Health is more complicated. Serious health issues, severe disability, and mental illness will greatly increase the risk of falling into poverty. The state of our health is partly a function of genetics and partly determined by choices that we make regarding, for example, smoking, alcohol, drug and food consumption, risky activities, personal care, or neglect. There are also aspects of luck involved in coping with economic events and business cycles. But, even there, luck is certainly not fate.

**Bad choices**

With the second category, it is likely that there will be considerable resistance, especially from those in the social justice community, to accepting that people have any choice at all when it comes to misfortunes like poverty. After all, no one would rationally choose to live in poverty. (Of course, a small number do choose poverty—for example, people in religious orders, ascetics, back-to-nature types, etc. They choose to reject all but the most essential material goods for loftier objectives. However, they are likely to be at or just above the poverty line, as defined here, once all factors are included.) Ignoring that small group, we have a much larger group of people who find themselves at or below the poverty line. And, almost certainly, it is a condition that they never would have chosen.

In life, as we all appreciate, we never get a chance to “choose” exactly where we end up. We simply make a series of choices along the way and if we make enough good choices and avoid some really bad ones, we will typically end up in a reasonably comfortable situation. There is never a guarantee, but that pattern tends to work most of the time for most people. When we speak of “choice,” it is important to underline that we refer to the perspective of the poor person him or herself rather than that of the external observer. What each of us will find is that the consequences of our choices will tend to nudge us onto the path we wish to pursue. So,
for example, the student whose goal is a university degree will find that poor grades that are the result of skipping classes and not doing the assigned readings will be a wake-up call and will push her to make a better effort. On the flip side, the young worker who distinguishes himself with an outstanding effort and is rewarded with a promotion will find his good choices rewarded and reinforced. Consequences, therefore, serve a valuable function in helping us craft the kind of life we want.

But there are still some who would argue that our choices are so determined by our genetics, our culture, and especially by outside influences that we can scarcely be held responsible for the choices we make. We should reject that view. It is not what most of us believe, and it is certainly not what the legal system believes. If you steal someone’s property or assault someone, you are considered fully responsible for your actions. Although considerations that might help explain the criminal act may be taken into account in sentencing, the actual conviction and assignment of responsibility for a criminal act is based on the fact you did indeed commit the act. There is a general expectation in society that adults are responsible for the decisions that they make and are accountable for any harmful consequences to others (or to themselves).

So, what kinds of choices might increase someone’s risk for falling into poverty? An economist would tend to focus on decisions that make you a less attractive candidate in the labour market. Consider the following list:

- **You have not completed high school.** This suggests that you may not have the writing, numeracy, or communication skills required for even the most basic jobs. Education level is often used as a preliminary filter to whittle down an application pool. People with low levels of formal education are less attractive candidates for employment and are more likely to end up poor.

- **You have a criminal record.** This makes employers less likely to hire you because they are concerned that you are not trustworthy. This makes it more difficult to find a job and increases the likelihood of poverty.

- **You have an addiction issue.** Being addicted to drugs or alcohol presents a significant risk to your continued employment. Many addicts simply cannot function in an employment situation. They are more likely to be terminated, which increases the risk of poverty. Those who have been out of the labour market for some time because of their addiction find it very difficult to get back in.

- **You are a single parent with a child.** This is a special risk for women and is a very complicated issue. Due to a combination of tradition, choice, and the current state of family law, women
are the overwhelming majority of poor single parents, most of whom have never been married. If single female parents are on welfare, they are not expected to work. This effectively traps them in a poor or near-poor situation. The causal connection between single parenthood and poverty is very complex and is likely to run both ways (i.e., if you are a single parent, you are more likely to be poor, and if you are poor, you are more likely to be a single parent).

- *You have a very spotty or non-existent job history.* If your past employers have great difficulty giving you a positive recommendation, potential current employers will be hesitant to take a chance on you.

The degree of personal responsibility varies from person to person in each of these cases. For example, someone may drop out of school at 16 because they are tired of the academic requirements and regimentation. On the other hand, some may leave school early simply because their cognitive capacity does not allow them to keep up. While some jurisdictions have programs for “special” students, not all do. With respect to single parents, while having a child is the single most important decision a couple will ever make, the choice is not always well thought out. As well, the enabling environment will be an important consideration influencing such decisions.

### Enablement

The third factor that helps explain poverty—enablement—has to do with the systems and mechanisms in place that reduce or eliminate the consequences of bad choices thereby making them more likely. We are all familiar with addiction enablement. It is very similar to the economic problem of “moral hazard.” Enablement happens when friends and family members give or lend money to the addict (to be used for drugs or alcohol), cover up for them, make excuses for their bad behaviour, refuse to confront the addict, or continue to give them aid. This enablement only makes the problem worse.

Poverty enablement is similar, but here we have a very important distinction to make. A mechanism or scheme that helps a poor person lift him or herself out of poverty and on to become a full, independent, self-supporting person (with all of the positive features that come with that) is not enablement. Such a scheme would likely involve some combination of insurance and compassion. On the other hand, a mechanism that assumes that poor people are incapable and irredeemable, pays them a
The idea of poverty enablement requires some development and a few specific examples. The primary program that most governments have in place to “help” poor people is welfare. Welfare programs vary jurisdiction by jurisdiction; however, they all provide, on a last-resort basis, a basic income for people who state that they have no other resources on which to live. In Canada, such programs are referred to as social assistance. On the surface, such programs appear to be very much like insurance—protecting people against catastrophic loss of income. In fact, though, welfare programs lack some of the most important components of insurance. There are no premiums; there is no risk assessment; there is no behavioural requirement on the part of “customers”; and policies cannot be cancelled for cause.

Welfare programs are bureaucracy-heavy, expensive schemes that maintain people in poverty rather than helping them move up and out of poverty. The most destructive feature of such programs is that the incentive structure is geared to ensure continued dependency. I urge the reader to look at the choices and options from the perspective of the welfare recipient rather than from their own comfortable middle-class viewpoint. For someone whose life is in disarray and who has little to offer an employer in terms of skills, attitude, and experience, or for someone who may be struggling with substance abuse, domestic violence, or depression, the financial benefits provided by the welfare system (as modest as it is) may be far preferable to any of the other options they have. Once they are in

8 The notion that poverty serves the interest of certain groups is not particularly novel. Herbert Gans, a sociologist and advocate of greater equality in society, has stated, “poverty also makes possible the existence or expansion of ‘respectable’ professions and occupations, for example, penology, criminology, social work and public health. More recently, the poor have provided jobs for professional and paraprofessional ‘poverty warriors,’ as well as for journalists and social scientists, this author included, who have supplied the information demanded since public curiosity about the poor developed in the 1960s. Clearly, then, poverty and the poor serve a number of functions for affluent groups—households, professions, institutions, corporations and classes, among others—thus contributing to the persistence of these groups, which in turn encourages the persistence of poverty in dialectical fashion” (Gans, 1973: 105-6).
the “system,” however, any additional amounts they might earn face very high effective marginal tax rates. Any job they might wish to take becomes a huge risk for them because they would lose the cash benefits provided by welfare as well as the non-cash benefits (like dental, medications, vision care, etc.). And the longer they are in the system, the more difficult it will be to leave the assurance of a regular income and benefits and venture out into an uncertain job market.

It is no longer controversial to state that there are very strong vested interests in maintaining as many people as possible on welfare. But how could this be? Who could possibly benefit from having more poverty and more welfare recipients? Well, firstly, the tens of thousands of bureaucrats, policy analysts, social and case workers, administrators, and clerical staff who work in the relevant government programs and agencies clearly benefit from more poverty. Their jobs and rich pensions depend vitally on a large and growing cohort of people classified as poor. In addition, an assortment of activists, NGO administrators, politicians, and journalists are intensely invested in the idea that poverty is out of control and that ever more redistribution is required. Finally, social justice advocates (mostly teachers and professors) want to impose a socialist system on our economy. For them, poverty is a defining issue. If they are able to convince enough people that poverty is high and rising, they can blame it on the existing structures and presumably make an easier case for the fundamental change they desire.

Of course, a “compassionate” definition of poverty (i.e., relative poverty) serves their purpose very well. It allows them to inflate the numbers, create a crisis, and manufacture the obvious need for radical change. This is in no way to malign the genuine sentiments of some who truly want poverty eliminated. However, we do have to appreciate the incentive structure and the power of special interests here. There is simply lot of rent-seeking behaviour within the state. So, despite their stated goal, few in the poverty industry actually want to reduce poverty. They have every incentive to keep it high and growing.

In summary, the theory of poverty outlined in this paper identifies three categories of factors that can increase the risk of falling into poverty and staying in that state. While we cannot completely ignore bad luck as a potential causal factor, in most modern economies, a combination of insurance, private savings, assistance from within one’s circle of empathy (usually family, friends, close associates, and possibly fellowship connections), charitable organizations, and, in some cases, government programs, serve to minimize the impact of bad luck on poverty. In most cases, an episode of bad luck (for example, the loss of a job or the onset of a disability) is unlikely, by itself, to condemn one to a state of permanent poverty.
This paper will focus on the other two factors, bad choices and enablement, as the prime risk factors for poverty. Again, the perspective here is that even people who face limitations, disadvantage, constraints, and intense societal pressures, always have options. In almost all cases, people can seek help and advice with their choices so they will be better able to at least weigh the possible consequences of their decisions. A wealth of easily accessible information is available about the likely consequences of quitting school early, taking drugs, abusing alcohol, committing crimes, having children before marriage, and a host of other choices. And the prevailing view, despite resistance from the folks in the social justice camp, is that people are responsible for the choices that they make. This paper also takes the perspective that many government programs that claim to be helping the poor actually do serious harm by trapping them in a state of permanent dependency and psychological demoralization.
Evidence

Bad choices

Let’s begin with the hypothesis that bad choices cause poverty. What would constitute evidence supporting this contention? For example, if dropping out of high school before graduation is considered as both a poverty risk and a choice, would higher poverty rates among drop-outs constitute supporting evidence? Similarly, would higher poverty rates among single parent, never-married families compared to other families constitute evidence that having children outside of marriage is a bad choice that increases the risk of poverty? The theory outlined above suggests that there is a causal chain with respect to certain choices and poverty. So, such evidence, if it exists, would support the theory.

But what about the claim that the causal connection might well be reversed? That is, could it be that being in poverty (as opposed to the middle class) causes people to be more likely to drop out of school, have children outside of marriage, and not have much success in the labour market? This, of course, begs the question as to what caused poverty in the first place. Undoubtedly, there exists this kind of feedback. People living in poverty might be more likely to have low self-esteem and be more fatalistic about the future, which will increase the likelihood of their making bad choices. And those bad choices will simply perpetuate their poverty. None of this is precluded by a theory that affirms that bad choices cause poverty. So, whether you are non-poor or are already poor, bad choices are causal factors for either falling into poverty or deepening the existing level of poverty.

Researchers in the United States have considered this very question and have concluded that making good choices and subsequent economic success is “predominately causal.” It is to the US research relating to the causes of poverty that we now turn.
US evidence

In his 2004 review article “The Causes of Poverty Cultural vs Structural: Can There Be a Synthesis?” researcher Gregory Jordan attempts to identify proxies for both behavioural or cultural influences and structural influences in order to estimate their relative importance on the rate of poverty in the US. The author favours structural explanations, but is nevertheless hopeful that he can construct a framework that shows the dynamic interaction between structure and behavioural or cultural variables, and that such a framework could better explain poverty than the competing alternatives.

He begins with an explanation of the cultural/behavioural approach. Borrowing from Edgerton (2000), he states, “a cultural mechanism refers to the process by which a group of similarly oriented people (either through ethnicity, location, or class) will develop shared behaviors or values based on their common experience of the environment they inhabit. These groups will naturally develop attitudes and behaviors that serve as methods of adaptation, or maladaptation, which are conditioned by the environment” (Jordan, 2004: 21). Further, he points out that some researchers have linked poverty to behaviour (for example, Mead, 1997; 1986) or to rational calculation (Murray, 1984). He argues that this combination of explanatory factors came to be “erroneously” associated with “laying blame for poverty either on the poor themselves or on a government that keeps them dependent” (Jordan, 2004: 19).

Jordan maintains that the set of attitudes, behaviours, and cultural constraints that lead to poverty are nevertheless directly connected to and are driven by the structural conditions in society. He quotes noted cultural anthropologist Oscar Lewis who stated that “poverty was an adaptation to a set of objective conditions of the larger society, but once it comes into existence, it tends to perpetuate itself from generation to generation because of its effect on children” (Jordan, 2004: 19).

Jordan argues that a natural corollary to this approach is the view that government welfare programs simply perpetuate poverty by creating dependency (as people at the margins of society rationally determine that, all things equal, welfare cash benefits are better than the alternative) and perverse incentives (such as making single parenthood more attractive and marriage less attractive). Referring to well-known libertarian scholar Charles Murray, Jordan argues that “Murray does not necessarily view the poor as behaviorally or morally deficient, but rather as rational actors; cash assistance creates a disincentive to engage in the private economy, serving only to create dependency and enabling the ‘destitution of the soul’” (Jordan, 2004: 20).
Jordan then reviews the structural approach. He states that “supporters of the ‘structural’ school of thought argue that most poverty can be traced back to structural factors inherent to either the economy and/or to several interrelated institutional environments that serve to favor certain groups over others, generally based on gender, class, or race. Of the various institutional environments that tend to sustain a multitude of economic barriers to different groups, it is discrimination based on race and gender that create the most insidious obstructions” (Jordan, 2004: 22).

He devotes much of his discussion to systemic racial discrimination and its impact on poverty. He points to differences in the quality of schools, employer attitudes towards blacks, incarceration rates, and capitalism as barriers to black advancement and as contributors to minority poverty.

Jordan constructs several models of the possible transmission from either behavioural or cultural, or structural causes to poverty and proceeds to test each of the models. He states that the empirical results tend to support the structural cause approach, though a critical examination of the methodology and the choice of proxy variables points to some concerns. Federal welfare spending is used as a proxy for welfare dependency as opposed to, for example, welfare caseloads or, more specifically, the numbers with lengthy stays on welfare. Similarly, the ratio of the median income of blacks to that of whites is used as a proxy for institutional racism, yet economic researchers have long recognized that not all such differentials are, in fact, due to discrimination. The literature on the gender income gap is a case in point.

Indeed, Jordan himself recognizes some of these concerns with regard to proxy specifications. He states, for example, while the divorce rate does appear to be significant in explaining poverty, it does become “operable when mediated through the variable of total welfare spending. This may indicate that the welfare system is creating incentives for divorce or to remain single” (Jordan, 2004: 29). Perhaps anticipating criticism of his methodology, Jordan concludes by saying, “In this analysis, the strength of the structural variables seemed to overwhelm the role of behavior/culture variables, but this should only serve to instruct us to search for better variables that capture the cultural dynamics and behavioral outcomes in a ways that engage the structural variables” (Jordan, 2004: 32).

More recently, Haskins and Sawhill writing for the Brookings Institution (2009) have taken up the question of the causes of poverty and have provided a surprising and quite remarkable conclusion. They argue that poverty is largely the result of cultural and behavioural causes and they emphasize the critical importance of helping to change behaviours and expecting people to exhibit personal responsibility as the solution to
most poverty in America. The evidence they present suggests that much US anti-poverty policy can be said to be wrong-headed and wasteful. In their view, the remedy for poverty is not welfare. Indeed, cash benefits to the poor represent exactly the wrong incentives, drive people away from the labour market, and most often make people worse off. This kind of thoughtful critique of an important and longstanding US social policy is noteworthy because it emanates from Brookings, often regarded as a relatively centrist if not liberal think tank.

It is important to note that the US has an official poverty line that is widely regarded as more absolute than relative in character. While there have been a number of proposals to adopt a new poverty measure, one that would be relative in character, none have succeeded. Haskins and Sawhill also point out that efforts to determine the causes of poverty are valuable both for their own sake and also for policy purposes. And they maintain that the estimates of poverty are subject to the critique that “income is substantially underreported in the most disadvantaged families” (Haskins and Sawhill, 2009: 39).

They argue that public support for policies depends to a large extent on what the public believe caused poverty in the first place. Was it just a lack of opportunity or was it more a failure to take advantage of the opportunities we have? (Haskins and Sawhill, 2009: 20). The authors view poverty as largely a temporary condition for most of the poor and argue that the facts support that contention. Longitudinal studies, which follow the same group of people over a long period of time, show that poverty is not a chronic condition for the majority of those counted as poor in any one year. “For example, in the three years 2001 through 2003, only a little more than 2 percent of the population was poor for the entire period” (Haskins and Sawhill, 2009: 38). This suggests that many people in America are able to escape poverty every year.

Their empirical research demonstrates that poverty is largely the result of cultural or behavioural factors. They outline three key social rules that are widely accepted by mainstream society and that represent a kind of insurance policy against ending up in poverty. Those social norms are: 1) the head of the family has a full-time job; 2) the head of the family has completed their high school education; 3) the family has had their children within the context of marriage. “[A]dhering to all three norms

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9 The US poverty measure was set in the 1960s at three times the cost of a nutritious but modest diet. At the time, that was regarded as a fair indicator of poverty. However, people spent a much larger portion of their budget on food than they do now. So, using the same, simplistic ratio to determine a poverty line now would be unwise. Since it is not tied to the cost of an entire basket of basic needs, it cannot be considered as an absolute poverty measure.
The authors present their findings in a table that examines all income classes from poor to upper income along with the chances (probability) of remaining in that same income class if they follow these widely accepted norms. Table 2 replicates that table, including the authors’ notes.

Haskins and Sawhill point out, quite rightly, that conforming to these norms is not necessarily easy for some, and that adherence is not made in a vacuum. Is it possible, they ask, that graduating from high school and getting married before having children are the result of being in the middle class rather than a pathway to move up to the middle class?

virtually eliminates the possibility of a family living below the poverty line” (Haskins and Sawhill, 2009: 70).

Table 2: Income Class, by Adherence to Social Norms, 2007 (Percent)

<table>
<thead>
<tr>
<th>Income classa</th>
<th>All personsb</th>
<th>All three</th>
<th>One or two</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>11.4</td>
<td>2</td>
<td>26.9</td>
<td>76</td>
</tr>
<tr>
<td>Lower middle</td>
<td>32.1</td>
<td>24.2</td>
<td>47.9</td>
<td>17.1</td>
</tr>
<tr>
<td>Middle</td>
<td>25.8</td>
<td>31.3</td>
<td>16.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Upper middle</td>
<td>14.7</td>
<td>20</td>
<td>5.1</td>
<td>2</td>
</tr>
<tr>
<td>Upper</td>
<td>15.9</td>
<td>22.5</td>
<td>4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Notes:

a) Income classes are family-size adjusted and refer to individuals living below poverty, 100-299 percent of poverty, 300-499 percent of poverty, 500-699 percent of poverty, and more than 700 percent of poverty, respectively.

For the average three-person family, these income classes correspond to about $0–$16,530; $16,530–9,590; $49,590–$82,650; $82,650–$115,710; and more than $115,710.

b) Table excludes individuals living in families with heads under age twenty-five and over age sixty-four as well as individuals living in families with heads that receive disability income. Observations with negative income are included and coded as living below the poverty line.

c) The three norms are complete high school, work full time, wait until age twenty-one and marry before having children. High school graduation is defined as attaining a high school diploma or its equivalent. Full-time work is defined as thirty-five or more hours of employment a week for forty or more weeks in 2007.

This is a classic question for researchers trying to sort out cause and effect. The authors respond by saying that “In the research literature this problem of separating correlation from causation is called adjusting for selection effects. However, rigorous empirical research suggests that in these three domains of education, work, and marriage, selection effects are actually quite modest, and the observed relationship between ‘playing by the rules’ and economic success is predominantly causal” (Haskins and Sawhill, 2009: 72). They do express the view that the debate between those who believe that people are largely in control of their own destiny and those who believe that the poor are victims of adverse circumstances that make education, work, and marriage difficult will not be resolved soon. Nevertheless, the frequent use of the phrase “playing by the rules” suggests that the authors believe that there is a strong volitional component to adopting social norms.

To show how important these norms are to poverty reduction, Sawhill and Haskins use a simulation model and 2003 US census data to determine the relative effects of various impacts on the poverty rate. Figure 1, which replicates their figure 6-1, summarizes these relative effects.

Starting with the official poverty rate of 13 percent, they examine the individual impact on poverty of several proposed changes. They determine that a full doubling of all welfare benefits would result in a reduction of the poverty rate to 11.9 percent. If poor families limited their family size to a maximum of two children, Sawhill and Haskins determined that this would lower the poverty rate to 11.3 percent. Increased education to high
school graduation would, on its own, lower the poverty rate to 11.1 percent. If poor people married at the rate they did in the 1970s, the poverty rate would fall to 9.5 percent, and if the poor had full-time jobs, the poverty rate would almost halve, dropping from 13 to 7.5 percent. Most dramatically, if the three (work, marriage, and education) are combined, the poverty rate would fall from 13 to 3.7 percent. Again, the researchers emphasize that “playing by the rules (finishing high school, working fulltime, marrying before having children) can lead to large reductions in poverty; full-time work is shown to have a particularly large effect” (Haskins and Sawhill, 2009: 93).

Haskins and Sawhill argue that if we are looking for the root causes of poverty in America, all of the evidence points to these critical behavioural factors. They state that “Although people may disagree about why the poor are less likely to finish school, more likely to be jobless, and more likely to form single-parent families, there is no question that these are the underlying causes of their poverty” (Haskins and Sawhill, 2009: 93). This statement by two important academic poverty researchers of their evidence-based perspective on what causes poverty is fairly unambiguous.

Clearly, getting a full-time job is the critical economic component because it provides the income with which the household is able to live above the poverty line. However, that is not necessarily easy to do, especially for people who are hard to employ and especially when the economy is weak. The authors state that “The economy creates the jobs and earnings that constitute the first line of defense against poverty. When jobs are easily available (and unemployment is low), when poor people are willing and able to take such jobs, and when wages are sufficient to support a family, then poverty will decline. When none of these three conditions apply, poverty is likely to rise” (Haskins and Sawhill, 2009: 42). Their findings imply that strong economic growth and rising real wages, conditions beyond the control of the average citizen, are vital for the alleviation of poverty. A strong and resilient economy as a precondition for the central causal factor for avoiding poverty (i.e., employment) suggests that policymakers need to think more carefully about this causal chain before acting.

The authors also consider whether parenting might be a factor in the future success or failure of children. There is much literature on aspects of parenting, from inherited attributes to parenting styles to parents’ socioeconomic status. Other than the detrimental impact of abusive and neglectful parenting, Haskins and Sawhill argue that the evidence about the outcomes for children is mixed. However, Susan Meyer in her 1997 book *What Money Can’t Buy* uses a variety of statistical methods and empirical evidence to conclude that fundamental parental qualities such as honesty,
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diligence, reliability, perseverance, and resilience are what matter most for children’s life chances, not the parents’ income.

Discrimination is a key consideration for structural explanations for poverty, but the authors find little evidence supporting that as a causal factor in the United States. The wage differential between men and women tends to be almost fully explained by education, experience, and occupation choice (Haskins and Sawhill, 2009: 99). Haskins and Sawhill refer to a study that uses the Air Force Qualifying Test (AFQT) as a proxy for skill and found that this proxy “explains all of the black-white wage gap for young women and much of the gap for men” (Haskins and Sawhill, 2009: 99). Whatever pre-labour market disadvantages that blacks may have in America due to living conditions, parenting, schools, etc., the authors argue that the studies they have reviewed demonstrate “relatively low levels of labour market discrimination.”

By way of summary, Haskins and Sawhill emphasize that they are egalitarian and want a more equal society. However, they do not believe that simple redistribution is the answer. Their emphasis is on personal responsibility. Thus they wish to redirect government policies towards the promotion of behaviours that “play by the rules” and that move people away from self-destructive and self-defeating choices (Haskins and Sawhill, 2009: 102). Thus, they urge that policies “reward those who play by the rules or exercise personal responsibility.... We place special emphasis ... on the responsibility to get a good education, to work, and to marry before having children. We show that playing by these three rules would ensure almost everyone a middle-class income. We believe that social policy should encourage playing by this set of rules” (Haskins and Sawhill, 2009: 4). In practical terms, this means “linking assistance to people’s own efforts to improve their lives, not providing them with unconditional support” (Haskins and Sawhill, 2009: 100).

While acknowledging that it is not always easy to make the right choices in life, Haskins and Sawhill stand pretty firmly on the side of personal responsibility and against the idea that people (especially the poor) are helpless in the face of structural forces. This means that the state, to the extent that it has a role in poverty alleviation, should provide incentives, encouragement, and “nudging” to reward good choices. They conclude by stating that “Good policy should be designed to both encourage and reward behaviour that is in people’s own long run best interest” (Haskins and Sawhill, 2009: 101).

This kind of analysis and policy proposal is surprising coming from Brookings. Perhaps it is an indication that after decades of failed social policies, which includes welfare and other redistribution programs, there
is a growing appreciation, even by egalitarian-minded researchers, that personal responsibility has to be a cornerstone of poverty reduction. And implicitly, this means that even people with disadvantages can and do make choices to improve their well-being and their children’s life chances. In order to play by the rules and to adopt mainstream social norms, we already assume that people have substantial scope for choosing and that they are not fully determined by strong structural forces.

People make thousands of decisions as they move through life. Mistakes, which are simply choices that you realize in hindsight make you worse off, tend to nudge you back onto your preferred path. Errors are part of the automatic adjustment process that helps most people make good decisions that are in their own long term best interests. Encouragement and rewards from others, including the state, can help steer people away from destructive behaviours and attitudes. However, there is danger in this business of steering and nudging. Paternalism can help steer a person towards goals that are in someone else’s best interest and not necessarily one’s own. There is obviously a point at which personal responsibility and paternalism clash and where the latter crosses the line between encouragement and interference. As well, there is real concern that paternalism leads easily to dependency when people come to expect and rely on a certain level of assistance and direction with their lives. Ultimately if we want more personal responsibility we will have to be much less paternalistic.
Evidence for Canada

The theory of poverty outlined in this paper suggests that a significant cause of poverty is people making bad choices—“bad” by the reckoning of the person him or herself either at the time or in hindsight. In this context, a bad choice is one that substantially increases a person’s risk of falling into poverty. The choices that increase risk are well documented and have been discussed in some detail above. Having children outside of marriage, not obtaining full-time employment, and not finishing a high school education are among the most important risk factors. If people in these situations have substantially higher poverty rates, it would support the theory. Let’s look at the evidence for Canada.

The following figures use the 2015 public use microdata file from Statistics Canada’s Canadian Income Survey (CIS). This is the latest data available. This CIS data file replaces the Survey of Labour Income Dynamics (SLID), which had been used for many years as the main source for annual income survey data in Canada. The poverty line employed here is the basic needs line developed by C. Sarlo (see Sarlo, 2001; 2008; and especially 2013). The poverty line for a single person has been updated to 2015 using the all-items CPI. All household incomes are adjusted to determine the adult equivalent income using the square root equivalence scale. Poverty rates are calculated by comparing the 2015 adult equivalent incomes for all “economic families” (essentially all households) to the 2015 poverty line for a single person.

Figure 2 shows the comparative poverty rates for all households. Households combine families and unattached individuals. The latter typically have a much higher poverty rate than the former. In 2015, the poverty rate for all households in Canada was 5.5 percent. For this paper, which focuses on the choices that people make that materially affect their lives, we will limit the analysis to non-senior households. This is because seniors (people age 65 and over) are now living with the decisions they made through the years and, perhaps more importantly, have access to a variety of government programs that virtually eliminate the risk of poverty. So, if we focus only on households where the reference person is between the age of 16 and 64, the connection between choices and poverty risks is sharper.
So, the overall poverty rate for all households in Canada whose reference person is 16 to 64 years old is about 7 percent. In cases where that reference person is not employed full-time, the poverty rate doubles to 14 percent. This is a very significant jump. Meanwhile, the poverty rate for households whose reference person is working at a full-time job falls dramatically to 1.7 percent. These numbers clearly demonstrate the critical importance of full-time work as a factor in the prevention of poverty.

Finally, if we examine the poverty rate for all households where the reference person (aged 16 to 64) is both working full-time and is a high school graduate, the rate essentially stays at the same level. Perhaps it is the case that almost all of those working full-time have already completed high school, at a minimum, that being considered an essential entry requirement for almost all jobs.

Next, we would like to examine the empirical evidence for families. The definition of “family” has changed somewhat over the years but mainly includes couples, couples with children, and single-parent families. Figure 3 displays the results of comparative poverty rates for Canadian families whose reference person is 16 to 64 years old. The overall poverty rate for families is 3.5 percent. By comparison, the rate for female

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10 See Statistics Canada (2012) for additional detail.
headed single-parent families is 11.7 percent—more than triple the overall rate. Male single-parent families have a poverty rate of only 3 percent. Of course, there are many fewer male than female single parents and they are much more likely to be employed full-time.\textsuperscript{11} The overall poverty rate for non-single-parent families is 2.8 percent. For those non-single-parent families whose reference person is employed full-time, the poverty rate is just .9 percent. That rate does not change if the reference person is a high school graduate, likely for the same reasons mentioned above.

Finally, figure 4 focuses attention just on families with children. Families with children have a relatively low poverty rate, somewhat below the rate for all families. The rate in 2015 was just 3.2 percent. And for two-parent families with children, the rate was 2.4 percent. As figure 3 showed, the poverty rates for female and male single-parent families are 11.7 percent and 3.0 percent respectively. However, as we see in figure 4, for those female single parents who are employed full-time (and 44 percent of them are), the poverty rate falls dramatically to 2.8 percent. Again, this demonstrates the critical importance of full-time work as a protection against

\textsuperscript{11} Specifically, only 44 percent of female single parents work full-time whereas 58 percent of male single parents do.
poverty. More than 97 percent of female single parents are non-poor if they work at a full-time job.

**Responses to Haskins-Sawhill**

Much of the response to the work of Haskins and Sawhill has been positive. While many in the social justice community bristled at the idea that bad choices (rather than bad luck) might be an important determinant of poverty, the idea that there are basic norms the adoption of which virtually prevent poverty has gained considerable traction and has been cited on numerous occasions by academics, journalists, and politicians. Nevertheless, the so-called “success sequence” of education, job, marriage, and children has been criticized by many on the left as yet another way to blame the victims of poverty for their own predicament. Yet, there has been no academic refutation of the Brookings study. The critiques have come largely from journalists and bloggers on the left.

Almost a generation ago, President Bill Clinton fulfilled a campaign promise by signing the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This law, which was prompted by con-
Concerns about growing welfare dependency, effectively ended welfare as an entitlement program. It required recipients to work after two years of receiving benefits; it placed a lifetime limit of five years on federally funded cash benefits; and it had provisions that discouraged out-of-wedlock births. It passed with bipartisan support. Implicit in these provisions is the view that most poor people were capable of changing their behaviour and accepting responsibility for themselves and their families. Welfare caseloads did decline sharply after PRWORA. However, they had already been declining prior to the new law and that, combined with the stronger economic conditions during the mid-to-late 1990s, made it difficult to sort out the separate impact of the welfare reforms.

In 2015, a working group sponsored jointly by the American Enterprise Institute and the Brookings Institution were assigned the task of finding common ground regarding the solution to poverty and the fostering of opportunity. The task group was composed of leading poverty researchers and public policy thinkers specifically selected to represent the variety of perspectives on the topic. Their 2015 report, *Opportunity, Responsibility and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream*, lays out a plan of action that is broadly similar to the Haskins-Sawhill proposals. It clearly implies that behavioural factors (i.e., choices) are the primary cause of poverty and that with the right policies and incentives as well as the expectation of personal responsibility, behaviours can change. The report offers recommendations for strengthening families and improving opportunities in education and work. Specifically, it suggests policies that promote cultural norms relating to parenthood and marriage, promote delayed, responsible childbearing, increase access to effective parenting education, improve skills, and make work pay for the less educated. It also called for increased public spending on early childhood education.

**Other risk factors**

Besides the three important poverty risk factors that the AEI/Brookings study identified and which are confirmed in this paper, there are other considerations that are significant but are much less amenable to empirical verification.

**Addiction**

Addiction is one such consideration. There is no question that addiction seriously raises the probability of poverty. While there are some
“functioning” alcohol and drug addicts, it is likely that a person who has developed a physical or psychological dependency on a substance that impairs reason, judgment, and self-control will have great difficulty in a work environment. And, if they cannot work, they will most likely have no source of market income and this inevitably means poverty unless they can beat their addiction.

Addiction is a complicated problem with aspects that are connected to heritable traits as well as depression. Nevertheless, addiction happens after a series of choices related to a drug or alcohol. Those choices always have consequences. There are bad reactions, bad behaviour, risks involving vehicles, the cost of the drugs, loss of control, and, not least, impacts on others, especially spouses and family members. Unless an addict is enabled, he or she will make healthier choices once the costs outweigh the benefits of the habit.12

Crime and incarceration

Another important risk factor is incarceration. Being charged with a crime is, on its own, stressful, disruptive, and costly. However, a conviction with jail time raises the risk for poverty to a whole new level. Serving time in jail leads to time away from the labour market and, likely, skill erosion. Once the jail sentence has been served and the perpetrator released, he or she will often face discrimination and rejection. Not everyone is prepared to give a convicted criminal a second chance. If the crimes involve violence or theft, many firms would understandably be reluctant to hire the convicted person for full-time work. The legal system holds people accountable for any crimes they commit and exacts an appropriate penalty. We consider that someone guilty of a crime has made a choice and, more likely, have made a long series of choices that have led them to where they are. And those choices have led to a significantly elevated risk of being poor. Regrettably, no data are available that allow us to quantify the increased likelihood of falling into poverty for those released from incarceration.

Disability

Having a mental or physical disability is an important risk factor for poverty but it should be treated somewhat differently from the other two.

12 We were discussing that people will take well-recognized risks, including the real possibility of death, to feed their addictions. I believe you have a few additional thoughts that might help sort out these points.
considerations. Having a severe disability will limit employment opportunities and often reduce the range of occupations that might be available. Depending on the nature of the disability, we normally regard it as a condition over which people have no control. This is true of most of the disabilities that people acquire at birth. However, some disabilities are preventable and tend to be the result of bad choices. These might include alcohol or drug related accidents, carelessness, risky activities, and some longer-term conditions. For example, a disability advocate maintains that “Lifestyle choices and personal behavior that lead to obesity are becoming major contributing factors” to disability and they provide advice on “how you can reduce your chances of becoming disabled” (Council for Disability Awareness, 2019).

Regardless of the source of the disability, one of the great myths of our time is that disabled people cannot work. In Canada, in 2012, 11 percent of the population aged 25 to 64 self-reported that they had a mental or physical disability. Their unemployment rate was 11 percent compared with 6 percent for those who did not report a disability. “The participation rate—the percentage of the population employed or seeking employment—was 55% for persons with disabilities, compared with 84% for persons without a disability” (Turcotte, 2014: 2). So, a majority of disabled persons participate in the labour force, and about 89 percent of those who participate do, in fact, work. In the United States, while “unemployment” and “disability” are defined somewhat more stringently, the story is similar. The unemployment rates for people with and without a disability were 9.2 percent and 4.2 percent respectively (Bureau of Labor Statistics, 2018: 1).

This section has been devoted to both an examination of the causes of poverty that relate to choices and the empirical evidence for the same. This paper takes the view that bad decisions (as defined by the decision-makers themselves) are the primary cause of people falling into poverty. However, falling into poverty does not necessarily mean that poverty will be a persistent condition. Surely, as long as there are jobs available, a person can “work” their way out of poverty and presumably leave it behind permanently. A strong economy and a healthy labour market can certainly solve much of the poverty problem, though regrettably not all. To better understand how poverty can persist, we need to examine why employment is a very difficult option for some people.

There are some obvious reasons why employment might be a significant challenge. Addicts may not be “employment-ready” unless their addiction issues are first resolved. People who face serious discrimination (ex-convicts, for example) might have great difficulty finding a job. People with severe disabilities might similarly have trouble in the labour market. And those with a very limited education (less than high school) face a job
market that increasingly prizes skilled labour. Finally, there are some cultural and attitudinal issues that pose a significant barrier to labour market attachment. These situations help explain, I think, why many unattached individuals are in poverty longer than couples, especially when more than one of these issues are present at the same time. But there is more to it than that. The nature and effectiveness of our helping institutions play a critical role in the pathway out of poverty.

Nowhere is this truer than in the case of the lone-parent family. Lone parenthood has, for good or bad, become most closely associated with poverty in our society. Yet the situation is complicated and includes a number of very different points of entry. In an earlier time, widowhood was virtually the sole path to single parenthood. In modern times, divorce, adoption, and people having children outside of marriage are the more common explanations. Leaving aside the case of a single person adopting a child, the focus of this study is on single parenthood as a result of being divorced or never married. In such cases, two state-run institutions are often encountered, especially if the single parent is poor: family law and the welfare system.

There are a host of serious issues with family law in Canada, most of which need not concern us here. Nevertheless, the family law rules do work against single parent employment, which can result in a longer duration of poverty than might otherwise be the case. However, our primary focus is on the welfare system as an enabler of poverty.

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13 There is likely a means test to qualify, in any case.

14 A full analysis is taken up in Sarlo (2014).
Enablement

How exactly can poverty be “enabled”? And why would any person or institution want to enable a condition that is so depressing and inhumane? Enablement starts with attitudes that are all too common. If people believe that the poor are not able to solve their own problems, that they need others to intervene and make the most basic decisions about living for them, that they cannot speak for themselves but require an activist to speak for them, and that they cannot be expected to abide by the same rules and norms as the rest of society because they are victims, then we are on the path to enabling poverty. The enabler robs poor people of their personhood, of their ability to exercise personal autonomy. To the enabler, the poor are incapable of getting out of poverty by themselves. The enabler has effectively given up on the poor and so it is not surprising that the poor begin to give up on themselves. First and foremost, enabling poverty involves infantilizing the poor, treating them like children and not expecting much from them.15

The enabler may be well-meaning. They may genuinely want to help. But they may also not appreciate the detrimental unintended consequences of that help. More often, however, the enabler is motivated by ideology. If the goal is to radically reconfigure society and impose on us all an egalitarian paradise, then poverty is an effective political weapon in the process. The more poverty the better.16 If it can be shown that poverty is high and rising, then it is much easier to make the case politically for more programs and for more aggressive redistribution of income. However, those government programs do not solve poverty. They actually pull more people into poverty. They make the problem worse. How, exactly, do government redistribution programs work to enable poverty?

By far the biggest redistribution program in Canada that purports to help the poor is “social assistance,” often referred to as welfare. Most western nations have elaborate schemes that provide, on a last resort basis, a

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15 The pernicious bigotry of low expectations.

16 This is why social justice activists have fought so hard to have poverty redefined as a condition of inequality as opposed to the more traditional approach that viewed poverty as insufficiency. And now, of course, relative measures of poverty dominate the landscape.
minimal income that just covers people's basic needs. Program details vary by country, by region in the case of Canada and the US. If we look at the social assistance plan in Ontario, we find a system much like many others in North America. The cash benefits are very modest and barely cover the basic needs of recipients. However, included in the program are non-cash benefits such as prescription drug coverage and dental and vision care coverage for minors (children of recipients). So, welfare is not going to be an attractive option for most people who regard themselves as middle-class or above. However, for people at the margin, it does represent a decent fallback position. They know that if they do make some bad decisions related to drugs, crime, having children without a partner, quitting school, quitting a job, etc., welfare will be there as a backstop. With welfare, there is an inescapable moral hazard issue that tends to increase the likelihood of risky behaviour.

In Ontario, there are two programs within the welfare system. One is for people classified as non-disabled. These recipients get a lower cash allowance, fewer non-cash benefits, and are nominally expected to find employment. The other program is for people classified as disabled. Here, cash benefits are about 50 to 60 percent higher (depending on the family composition) than for non-disabled recipients. Drug, dental, and vision care benefits are all covered, and there is no requirement to work or to look for work although the program will assist with employment opportunities if a recipient wishes.

Beyond the cash benefit fallback, the welfare system in Ontario has three critical components that have especially served to enable poverty. The first is the non-cash benefits—the drug, dental, and vision care coverage—that most low-income working people do not get. The second is the $200 monthly earnings exemption for recipients of both programs. This means that any amounts earned beyond the exemption are subject to an effective marginal tax rate of 50 percent—a significant disincentive for a recipient to accept employment. The third is the expansion of the definition of “disability” to include stress and anxiety disorders. This change resulted in a significant increase in disability caseloads and a decline in the non-disability caseloads. This is a predictable (and, for recipients, a rational) response to the change in definition. It provided a strong incentive for people at the margin to want to be so classified because of the much higher cash benefits and the extended health coverage. Each of these components has the effect of drawing people near the margins into the program and retaining more of those already in. As people find it more difficult to get off of welfare, the system traps more of them for longer periods and thereby enables poverty.
When I speak of poverty enablement, I am thinking of poverty in a broad sense. People may be at or just above the actual basic needs poverty threshold, but if they are trapped, demoralized, and unable to ever imagine a better life, they are, in this broader sense, “poor.” Enablement insidiously and effectively imposes a growing sense of dependency on recipients. They are increasingly dependent on others for their survival. People in this situation may be covering their basic needs, yet their outlook, bleak future, and likely psychological disposition renders them poor in a fundamental way that goes beyond the numerical measurement.

Evidence of enablement

Evidence supporting the contention that state redistribution programs have the effect of enabling poverty is difficult to find. This is because there are always multiple factors at work to produce the outcomes we observe. For example, disability program caseloads in Ontario exploded after the changes that expanded the definition of disabled (see Kerr, et al., 2017: 44). Specifically, the data show that between 2003 and 2014, disability case-loads increased by 60 percent while the Ontario population rose only 11.8 percent. One could argue that this differential increase is due to labour market conditions. Other explanations include a possible increase in stress in society due to more loneliness, alienation, and loss of purpose. So, the statistical evidence of greater disability caseloads alone is not going to be sufficient to make the case that many people attempted (often successfully) to be redesignated as disabled to qualify for the more generous allowances and benefits. We need other kinds of evidence.

A promising candidate for evidence of poverty enablement is expert opinion and analysis. This is particularly important if the expert analysis comes from folks with different political perspectives. Let’s begin with libertarian social theorist Charles Murray. In his landmark book, Losing Ground, Murray (1984) argues that American social programs, especially welfare and food stamps, actually made life worse for the poor, the very people they intended to help. The programs created perverse incentives that led to far more illegitimate births and increased poverty and dependency rather than reduced it. Murray argued that it would be better for the poor if all of these social programs were abolished and we find better, local ways of assisting people in need. His views were highly controversial, and

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17 John Stapleton (2013: 22) favours this explanation for the rise in disability related cases.
still are, but they were influential. The welfare reforms under President Bill Clinton (the Personal Responsibility and Work Opportunities Reconciliation Act, or PRWORA) set out firm federal requirements and time limits for welfare and provided strong expectations for work. Clinton said, in 1993, “He [Murray] did the country a great service... I think his analysis is essentially right” (Clinton, 1994).

Frances Lankin, a former minister in Ontario’s NDP government (1990–95) was asked, in 2010, to co-chair a review of the social assistance program in Ontario. In that review, *Brighter Prospects: Transforming Social Assistance in Ontario* (2012), Lankin and her co-author noted with some concern that the disability program caseload had grown very rapidly and that costs were escalating. They argued that the welfare system in Ontario was inefficient, bureaucratically heavy, and ineffective in helping people move towards employment and self-sufficiency: “Some people are able to exit social assistance for employment fairly quickly and with minimal support. Too many others get trapped in the system and face diminishing opportunities the longer they are out of the workforce. This is especially true for people with disabilities and others who face multiple barriers to employment” (Lankin and Sheikh, 2012: 10). The authors recommended sweeping changes to the province’s welfare system with “pathways to employment” at the foundation of a new plan. They acknowledged throughout their report that employment, not welfare, is the solution to poverty.

An OECD report on the Ontario Disability Support Program argued that “Once receiving disability benefits, recipients may find themselves ... trapped because they lose supports and benefits if they take on employment” (OECD, 2010). The issue of the welfare trap has been discussed in many articles and reports over the years. Exactly 25 years before the *Brighter Prospects* report, Ontario commissioned the *Transitions* report, which also recommended changes to the province’s welfare system. That report noted that “Many thousands live in poverty but feel powerless to escape it, because they lack the tools to make the transition from the programs that marginalize or trap them” (Ontario, 1988: 3). The authors of the *Transitions* report noted that welfare caseloads continued to rise despite strong economy and labour market at the time. They felt confident that Ontario could break the cycle of poverty, “including the growing dependence upon social assistance despite improvements in the province’s economy” (Ontario, 1988: 7). While the authors did put forward some guiding principles for a new system, including the principle of personal responsibility, they regarded other principles such as adequacy, accessibility, and social justice to be more important.
While there seems to be broad public support for some kind of last resort income support “insurance” for people who, despite their best efforts, have encountered unexpected misfortune, there is also serious disappointment and frustration with the particular plans established by governments. The critiques are familiar regardless of political perspective. Welfare does not help people become independent; it is bureaucratic and inefficient. It traps people into dependency and enables poverty. It serves the interests of those in the poverty industry and not the poor. It puts in place perverse incentives that discourage work and marriage, and it lacks accountability. Canadians can be forgiven for their cynicism and incredulity when they think that there has got to be a better way to help people. Besides the criticisms of economists and conservative pundits, there have been comprehensive reviews of social assistance and related programs. These reviews have pointed to real issues with dependency, perverse incentives, detrimental impacts of marriage and the family, the failure to foster personal responsibility, and the escalation of costs for all Canadians to bear. Yet there has been no foundational change to address and correct these problems. The welfare system continues to be a major enabler of poverty.

Can “help” end up causing harm?

This kind of frustration with a program or public policy is part of a larger concern about efforts to “help” people that can end up harming them. Charles Murray has emphasized the damage done to poor people, especially minorities, by programs and policies specifically aimed at helping them. Jason Riley (2014) has written about the damage done to blacks and their opportunities by well-meaning policies that are intended to differentially benefit them. His book, Please Stop Helping Us, outlines in detail how these policies are making it harder for blacks to succeed. In Canada, Calvin Helin, a lawyer and aboriginal Canadian, has presented a devastating critique of the Canadian welfare system and its adverse impact on aboriginal people (Helin, 2006). His book, Dances with Dependency, provides evidence and examples of the harm done to aboriginal people by supposedly well-meaning policies. Perhaps the message in these and others critiques is this: Leave us alone and let us find our own way in the world. Your help and your compassion are killing us.18

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18 Along these lines, the documentary film Poverty, Inc. critically examines the foreign aid that is sent to less developed nations and finds, similarly, that it does tremendous harm to recipients in a variety of ways, not least to the recipient nation’s agriculture sector.
Cash benefits versus employment

Isabel Sawhill, the widely respected American poverty researcher, scholar, and writer for the Urban Institute and the Brookings Institution, has thought deeply about poverty policy for several decades. Her joint research with Ron Haskins has been referenced above. She wrote a policy paper jointly with Haskins in 2003: Work and Marriage: The Way to End Poverty and Welfare. The paper emphasizes the importance of behaviour changes that the poor could make that would have a really significant impact on the rate of poverty. Changes with respect to work, marriage, number of children, and education, all combined, would profoundly reduce poverty—from 13 to 3.7 percent for their 2003 simulations. But, they ask, would a big increase in welfare cash benefits do the same? They tested that assumption and found that even a doubling of welfare cash benefits would have a lower impact on the rate of poverty than any one of the four single behavioural changes. They state, in summary, that “work, marriage, education, and family size are all more powerful determinants of the incidence of poverty than the amount of cash assistance received from the government” (Sawhill and Haskins, 2003). The authors consider whether there should be a work requirement for benefit programs.

The data reviewed above suggest that work is a powerful antidote to poverty. Moreover, the expectation of work has implications for education, marriage, and family size. Young people who know that they are going to have to work would be more likely to finish school. Those who aspire to be stay-at-home mothers for an extended period would be more likely to delay having children until they are married since the government would no longer subsidize them to be full-time mothers. And those required to work would have less time to care for additional children and might plan their families accordingly. Indeed, serious work requirements may be more of an incentive to finish school, delay childbearing until marriage, and limit the size of one’s family than all the combined government programs directly aimed at these objectives. (Sawhill and Haskins, 2003: 7)

...A vision for the future leads us to suggest a comprehensive, behavior-based strategy for reducing poverty. The strategy is based on a set of normative expectations for the youngest generation. They would be expected to stay in school at least through high school, delay childbearing until marriage, work...
full-time to support any children they chose to bear outside marriage, and limit the size of their families to what they could afford to support.... This policy would not deny people the right to have more children, but it would require that they do so at their own expense. (Sawhill and Haskins, 2003: 6)

The authors conclude by stating,

Advocates for the poor have too long argued that welfare was the solution to poverty. Yet most evidence points in a different direction. The reform of welfare in 1996 has had far more positive effects on employment, earnings, and poverty rates than almost anyone anticipated. The data summarized in this brief suggest this is because work is a powerful antidote to poverty and that, in its absence, no politically feasible amount of welfare can fill the gap as effectively. (Sawhill and Haskins, 2003: 8)

Charles Murray is less sanguine about the prospects of reforming welfare and making it work better. His view is that once political considerations are involved, the state simply cannot do what is needed to have an efficient and effective poverty reduction strategy. He favours local, communitarian action to assist people who are not able to make it on their own. This is a far more radical solution that places the state outside of the helping circle and places responsibility for help on individuals and communities.

Finally, it should be made clear that welfare is not the only system or policy in place that enables poverty. However, in modern economies, it is the main one. Clearly, any other government policy, regulation, or law that discourages employment, erects barriers to job creation in the private sector, and reduces the incentives and rewards for hard work, is also an enabler of poverty.
Conclusion

This paper develops a simple framework for understanding poverty that draws largely on psychology and economics. It suggests that poverty is caused initially by some mix of luck and choice. Parenting and nurturing is a critical determinant of a child’s start in life and is something over which the child has no control. Genetics, culture, and exogenous events (like illnesses, injuries, opportunities) are also important and are largely a matter of luck, particularly in childhood. As young people approach adulthood, they make more and more decisions that can either reinforce the negative early influences or work to overturn those negatives. We do have free will, however. We all make decisions without perfect information and in a cloud of uncertainty. We all make mistakes. But we learn from those mistakes. And in most cases, those mistakes help us make better decisions.

There are people who will resist the suggestion that poor people might be responsible for their own poverty. Isn’t this just another example of “blaming the victim”? Shouldn’t we be looking for other causes? Isn’t poverty really a condition of bad luck and something that just happens to people rather than a situation in which people find themselves largely due to their own bad choices? People who take the former view aren’t really looking at the implications of their own beliefs. Were we to live in a world where no one could be held responsible for making bad decisions that adversely affect themselves (and others who depend on them), then no one would be responsible for harm and no one could be held to account for the harm they do. But that is not the world in which we all live and, indeed, is not a world that anyone would want to live in. The fact is that we all make bad choices from time to time. No one is immune. However, there are some critical choices we can make that will greatly reduce the chance of our being poor. Poverty researchers have identified those critical choices and this paper has discussed them at great length. Those choices are: 1) Finish high school—at a minimum; 2) Get a full-time job; 3) Wait until you are married to have children; and 4) Limit the number of children you have to those you can afford. Each of those four is a choice. This is what Sawhill and Haskins mean when they talk about “playing by the rules.” These choices are not always the easiest path. Making them well often means that you have to take responsibility for your own life, have
some degree of self-control, and do some longer-term thinking. But there is certainly a lot of help available: remedial programs for completing high school; employment centres, skill upgrades, and job search apps; and various kinds of birth control. The problem, of course, is that we have institutions that, while nominally intending to help the poor, actually enable bad choices and thereby end up enabling poverty.

Enablement effectively reduces the cost of bad choices and makes them more likely. Bad choices can be enabled in a number of ways. With the condition of poverty, the existing welfare system, undoubtedly developed with good intentions to help the poor, turns out to be the key enabler. In practice, a system that has no employment strategy for clients, has no requirements of them, and expects nothing of them, is counter-productive. Such a system slowly traps some people, especially those with low self-esteem and little confidence, into a child-like state of dependency and permanent low income. Even many on the left now acknowledge the role that welfare and related policies plays in poverty persistence.

Luck. Choice. Enablement. This paper argues that these are the dominant considerations in understanding poverty. The latter two are particularly important in explaining longer duration, persistent poverty. While this study is not the place for comprehensive solutions, the analysis in this paper suggests that what is needed are efforts to 1) reduce the bad luck that can cause poverty (the poor parenting, the genetic transmission of diseases, the negative cultural influences, and other hazards affecting children and, equally important, to foster opportunity and quality education), 2) promote good choices and allow people to learn from their inevitable bad choices, and 3) eliminate, as far as possible, negative enablers.
References


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Christopher A. Sarlo is professor of economics at Nipissing University in North Bay, Ontario, as well as a senior fellow with the Fraser Institute. He is the author of Poverty in Canada (Fraser Institute, 1992, 1996), Measuring Poverty in Canada (Fraser Institute, 2001, 2006), and What is Poverty? Providing Clarity for Canada (Fraser Institute, 2008). Some of his recent publications include Understanding Wealth Inequality in Canada, Consumption Inequality in Canada: Is the Gap Growing?, Child Care in Canada: Examining the Status Quo in 2015, and Income Inequality Measurement Sensitivities. Professor Sarlo has published a number of articles and studies on poverty, inequality and economic issues relating to the family.

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