Wisconsin Poverty Report:
Poverty Levels Flat on Average
but More Diverse within State in 2014

The Eighth Annual Report of the Wisconsin Poverty Project

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ABOUT THE WISCONSIN POVERTY PROJECT

The Wisconsin Poverty Project came into being in late 2008, when a group of researchers at the University of Wisconsin–Madison’s Institute for Research on Poverty (IRP) sought to gain a more accurate and timely assessment of poverty throughout the state at a time when the worst recession in the postwar era was gripping the nation. The researchers’ efforts, which align with broader efforts including federal development of the Supplemental Poverty Measure, sought to inform policy with up-to-date and place-specific data that go beyond the official statistics for Wisconsin. The project, which each year produces a Wisconsin Poverty Report—this one marking the eighth—joins many other endeavors by University of Wisconsin System faculty and staff to improve the lives of people throughout the state in the spirit of the Wisconsin Idea. Simply put, the Wisconsin Poverty Project model reflects IRP’s commitment to informing public policy with research findings and, consistent with this idea, one of our primary goals in developing the Wisconsin Poverty Measure is to serve as a model for other states and localities seeking to craft their own more meaningful measures of poverty. Details about our model, including programming and other technical details, are available online. See http://www.irp.wisc.edu/research/wipoverty.htm for more information on earlier reports and technical details.

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ABOUT THE INSTITUTE FOR RESEARCH ON POVERTY

The Institute for Research on Poverty (IRP) is a unit within the College of Letters and Science at the University of Wisconsin–Madison. It was established in 1966 as the nation’s original poverty research center for interdisciplinary study of the causes, consequences, and cures of poverty and social inequality in the United States. Major funding is provided by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE). As a National Poverty Research Center sponsored by ASPE, IRP has a particular interest in poverty and family welfare in the nation as well as Wisconsin.

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This report is available in a printable format on IRP’s website at http://www.irp.wisc.edu/research/wipoverty.htm.

COVER MAP KEY: Map depicts 2014 poverty rates using the Wisconsin Poverty Measure. Areas below the state average of 10.8 percent are green, yellow areas have no statistically significant difference from 10.8 percent, and orange areas are higher than 10.8 percent. See page 16 for further details.

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EXECUTIVE SUMMARY

Our key finding is that while employment rose by almost 60,000 jobs in Wisconsin during the period of this report, there was no reduction in poverty as measured by the Wisconsin Poverty Measure (WPM). In fact, poverty rates in Wisconsin were flat between 2013 and 2014 at about 10.8 percent, up from 2012, according to the WPM. Market income poverty (which reflects employment levels and is therefore a helpful gauge of economic health) decreased overall by 0.2 points and the official poverty rate fell significantly, from 13.4 to 12.1 percent. However, using the more-inclusive WPM, we find that despite the rise in employment, programs that help those who would otherwise be poor, like food assistance and refundable tax credits, fell in 2014, leaving no change in overall or child poverty with the WPM.

On the brighter side, market income poverty for families with children and elderly poverty fell by significant amounts in 2014, and the WPM, which takes into account resources from tax credits and noncash benefits as well as earnings, remains about 1.3 percentage points below the official rate.

While the benefits from the safety net (especially food support and refundable tax credits) played a large role in poverty reduction, national and state changes in the Supplemental Nutrition Assistance Program or SNAP (called FoodShare in Wisconsin) reduced these positive effects in 2014. Other trends that decreased resources over the past two years include a return of the payroll tax to pre-recession levels and rising child care and other work-related expenses for families with children.

Although the social safety net provided a buffer against poverty during the recession—and still makes a very big difference in countering poverty—the effects are beginning to shrink, both because of the weak recovery and because of changes in the SNAP program, payroll taxes, medical expenses, and work-related expenses. This has left the longer-term WPM poverty rate more or less unchanged from 2009 to 2014. Hence, progress against poverty is flattening out as the recovery remains fragile for low-income families.

Additional findings of our report track how poverty has changed for children and the elderly, finding a nice decrease in market-based poverty for children as their parents’ earnings rose, but without such change carrying through to a decrease in the WPM. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee and Kenosha, but with many more substate areas doing much better than the rest of Wisconsin compared to previous reports. This pattern suggests an uneven recovery of jobs and incomes across regions within our state.

Because we believe that the long-term solution to poverty for the able-bodied non-elderly is a secure job that pays well, not an indefinite income support program, it is both encouraging (the drop in market-based income poverty for families with children) and discouraging (the lack of a downward trend in overall market-based income poverty) that the labor market rebound has not led to larger reductions in poverty from 2012 to 2014.

This weak labor market recovery underscores the importance of a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin’s safety net does—and in doing so makes a big difference in combatting poverty.
INTRODUCTION

To understand poverty in Wisconsin, and the influence of both the economy and public poverty policies, it is important to use appropriate poverty measures. We now have seven years of data analyzing poverty according to the Wisconsin Poverty Measure (WPM), a measure developed at the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison to better reflect the needs and resources of Wisconsin residents. We can track how poverty has changed over the course of the Great Recession—the worst recession in the postwar era—and as the economy slowly continues to recover. Over the course of the recession, employment fell sharply in the state, with employment levels not reaching their previous January 2008 high until October 2014 (Figure 2). Both market forces and programs designed to enhance earnings and supplement the incomes of poor individuals and families affect poverty rates, as we discuss in this report.

To provide a nuanced picture of economic hardship in Wisconsin, we employ three different measures for estimating poverty in the state from 2008 through 2014, as shown in Figure 1. The three measures are: a measure based on market (private) income only; the Census Bureau’s official poverty measure, which adds in the value of public cash benefits; and the Wisconsin Poverty Measure (WPM), which takes into account not only cash benefits but also noncash benefits and taxes.

**Figure 1. Wisconsin Poverty Rates under Three Measures, 2008–2014**

![Graph showing Wisconsin Poverty Rates under Three Measures, 2008–2014](image)


Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section below. * = The difference between 2013 and 2014 was statistically significant, which is the case for the official poverty measure, but for none of the others in Figure 1.
Under the market-income measure, which is based on only private sources of income (mainly earnings, but also investment income, private pensions, and child support), we see that overall poverty rates increased during the recession, peaking in 2011, dropping in 2012, and remaining unchanged between 2012 and 2014. This is consistent with a fairly slow employment recovery in Wisconsin (as summarized below and shown in Figure 2).

Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2015

Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

Notes: The 2014 poverty rate is based on economic conditions from January 2013 through November 2014, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, data span a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

Figure 1 shows that poverty estimates are much lower under the official measure as compared to the market-income measure, because official estimates include government cash transfers (e.g., Social Security, unemployment insurance, welfare cash payments) as well as market income. (The official measure also differs from the market-income and WPM measures in its poverty threshold and other methods, as discussed below.) Trends in poverty according to the official measure and the WPM are similar to those shown by the market-income measure between 2008 and 2013, but market-income poverty stayed virtually flat from 2013 to 2014 while official poverty fell from 13.4 to 12.1 percent, a statistically significant decrease.

The overall poverty rate as calculated by the WPM fell between 2008 and 2010, even as the cash-based measures were going up. Since 2011, the WPM has wobbled up and down, with poverty falling as low as 10.2
percent in 2012, and most recently, increasingly to 10.9 percent in 2013 and 10.8 percent in 2014, a statistically significant increase. One of the important differences between the more comprehensive WPM and the official measure is that the WPM takes into account changes in noncash benefits and tax credits. During the worst of the recession, the increase in noncash benefits and taxes offset the decrease in market income. Our annual reports focusing on 2009 and 2010 emphasized the success of policies intended to address the recession in keeping poverty from increasing. We are not completely certain what is driving the most recent flat line trends, though they may reflect the fact that expansions to the safety net during the recession have contracted more rapidly than the economy has recovered, as seen in Figure 3.¹ The market-income poverty rate in 2014, 24.2 percent, is statistically different than its peak in 2011 at 25.2 percent, but all of the changes came from 2011 to 2012, with more or less a flat line here again from 2012 to 2014. As far as low market incomes are concerned, the recovery in Wisconsin remains fragile as in many other parts of the nation where jobs are growing slowly but wages remain flat or falling for the least well paid and with differential effects across subregions within the state.

**Organization of this Report**

The remainder of this report expands upon the key findings from Figure 1 in the following manner. First, we consider Wisconsin’s economic and policy situation from 2008 to 2014, years of recession and a slowly emerging recovery. Second, we briefly discuss the methodology of the Wisconsin Poverty Measure and how it differs from the official poverty measure. Third, we examine results in 2014, and trends for the 2008 to 2014 period, looking at poverty rates overall and for two vulnerable groups: children and the elderly. Fourth, we use the WPM to examine how public benefits (e.g., tax credits, nutrition assistance programs, housing policies) and expenses (medical and work-related) affect poverty. Finally, we present poverty rates across local regions in Wisconsin using the WPM.

**WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION**

The rise in poverty from 2008 to 2010, and subsequent decline, somewhat mirrors the decline and subsequent rise in employment levels in the state, although poverty trends tend to lag behind economic changes. After employment levels in Wisconsin fell dramatically between January 2008 and November 2009, Wisconsin experienced a job uptick from 2010 to 2014. By the end of 2013 about two-thirds of the jobs lost during the Great Recession had been added back and by October 2014 we had recovered all the jobs lost since the high watermark in March 2008. But employment grew and fell again so that by November 2015, the last month in Figure 2, we were actually 4,000 jobs below the high job mark of February 2015. Despite a roller coaster net increase in jobs during 2012, 2013, and 2014, there was no real change in market-income poverty over this period. Many of the new jobs created in Wisconsin have been only part-time jobs in the low-wage service sector (e.g., retail, fast food industry), and this may be why jobs rose but poverty did not decline.² Although employment levels in November 2015 (when the income and program data covered in this report end) were

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¹For the full series of Wisconsin Poverty Reports, see http://www.irp.wisc.edu/research/wipoverty.htm. The full series includes an expanded discussion of methodologies and results, and technical appendices. Note that the same basic methodology was used in estimates for 2009 through 2012 (although some of the substate areas on which we report poverty changed between 2011 and 2012 due to changes in the geographic boundaries of the Public Use Microdata Areas [PUMAs] used by the Census Bureau). However, 2008 was estimated under a slightly older methodology. The 2008 estimates would be slightly higher if re-estimated under the new methodology (poverty was estimated under both methodologies in 2009 and the overall poverty estimate in 2009 was 0.4 percentage points higher under the older methodology). However, the finding of insignificant change in poverty under the WPM between 2008 and 2009 is not affected by the small methodological refinements.

20,000 above the March 2008 pre-recession peak, there was no real impact on market-income poverty. Wisconsin job growth has also lagged behind 31 other states since the end of the Great Recession.3

As unemployment and job loss rose in the recession and many of the unemployed remained out of work for six months or longer, caseloads for the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program, which is known as FoodShare in Wisconsin, but called SNAP in this report for simplicity) rose dramatically, in Wisconsin as well as in the nation. As shown in Figure 3, the rate of increase in Wisconsin was even larger than the national rate of increase; the number of people receiving SNAP benefits in Wisconsin more than doubled between January 2007 and January 2013 (an increase of 119 percent), compared to a 76 percent increase in the nation as a whole during the time considered. Between 2007 and 2012, the increase in SNAP caseloads was steeper outside of Milwaukee than in Milwaukee, a long-term high-poverty area. But over the past two years, the SNAP caseload has remained fairly flat but then plunged by 87,000 cases or 10.5 percent

Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2015

Source: Data on SNAP participation are from the FoodShare data website of the Wisconsin Department of Health Services.

Note: The number of cases in Wisconsin is shown on the left-hand scale of the y-axis, while that for the United States is on the right-hand scale of the y-axis.

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from January 2014 to November 2015, the period covered by this report and the 2014 ACS. The drop in Milwaukee alone was 26,000 cases, a slightly smaller percentage drop than in the state as a whole. In the last few months of 2013, SNAP caseloads fell slightly, reflecting the 14 percent decline in maximum SNAP benefits that occurred in November 2013, with the expiration of the temporary boost in benefits provided under federal legislation in 2009. The impact of this reduction, plus the slowly growing economy and the state effort to force single persons who cannot find jobs off of the SNAP rolls, which alone has reduced the rolls by over 30,000 cases by November 2015, helps explain these trends.4

In the next section, we look briefly at commonly cited shortcomings of the official poverty measure developed by the Census Bureau and summarize the goals behind development of the Wisconsin Poverty Measure.

WHY IS THE WISCONSIN POVERTY MEASURE NEEDED?

Researchers and policymakers have criticized the current official poverty measure for not accurately accounting for the contemporary needs and resources of American families, and have consequently called for improved measures. Critics assert that the official measure ignores noncash benefits and tax credits, uses an outdated (and substantially lower) poverty threshold based on a pattern of consumption in the 1960s, omits work-related expenses such as child care and health care costs, and fails to adjust for geographic differences in prices. After a National Academy of Sciences (NAS) panel offered an alternative method for measuring poverty that addresses many of these concerns, a number of scholars have developed alternative poverty measures based on the NAS method. In 2011, the federal government implemented the Supplemental Poverty Measure (SPM), which is very close to that recommended by the NAS committee.5

While IRP’s efforts to develop an alternative poverty measure for Wisconsin are in line with these broader efforts, we contribute to the field by applying these measures to a local area (Wisconsin) in ways that reflect the characteristics and policy interests of the state, and by providing explicit and straightforward guidelines that other states and localities can use to develop their own measures. Wisconsin is an excellent site for a case study of alternative poverty measures because of the state’s historic importance as an experimental site for national policies. The research benefits from the support of the Wisconsin Community Action Program Association (WISCAP); the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation; and the University of Wisconsin–Madison. Finally, Wisconsin sees rich interactions of research and community life, largely because of the University of Wisconsin System’s adherence to the “Wisconsin Idea,” which is the principle that university research should improve state residents’ lives beyond the classroom.6


METHODS AND DATA FOR MEASURING POVERTY UNDER THE WPM

We use an analytical approach consistent with those employed in previous issues of the Wisconsin Poverty Report. As in previous reports, the U.S. Census Bureau’s American Community Survey (ACS) is the primary data source for this report; specifically, a data extract from the Integrated Public Use Microdata Series (IPUMS) was used to analyze the 2014 ACS data (see source note in acknowledgements), and the IPUMS data were supplemented with state administrative data on participation in public assistance programs. While the SPM being developed at the federal level uses data from the Current Population Survey, our measure takes advantage of the relatively large sample sizes in the ACS data set in order to examine poverty in areas within the state.7

We examine poverty in 28 areas in Wisconsin, including 13 more densely populated counties and 15 multicounty areas that encompass less densely populated counties. An additional advantage of the data is the inclusion of detailed housing information. While the data set used in our analysis is subject to limitations, such as a lack of information about SNAP benefit amounts, energy assistance, and public housing, it is the best available data for examining poverty at the local level, as we do in the current analysis. The issues stemming from data limitations have been alleviated by our effort to combine it with other data sources, including Wisconsin’s administrative data on program participation.

The development of the WPM is in line with the development of almost all poverty measures in which poverty status is determined by comparing a measure of economic need to a measure of the economic resources available to meet that need. A poverty threshold (or measure of need) is the least amount of income deemed necessary to cover the basic expenses of the unit of people considered. Three major components commonly constitute poverty measures: the resource-sharing unit (the people living together in a household), resources, and need. Next, we describe each of these components to demonstrate our approach to the WPM.

The resource-sharing unit includes all persons who share the same residence and are also assumed to share income and consumption (called “family”). In the WPM we expand the definition of family used in the official poverty measure (which is restricted to married couples and their families), by including unmarried partners and their families, foster children, and unrelated minor children in our poverty unit. This procedure follows the National Academy of Sciences recommendations, although we depart from these by excluding single college students with annual earnings less than $5,000 because they likely have income from parents that was not recorded in our data and may therefore upwardly bias our poverty estimate. Excluding college students changes our estimate for Wisconsin’s overall poverty by 0.2 percentage points, but by a much more substantial amount in college towns like Madison and La Crosse.

While the official poverty measure considers nothing beyond pre-tax cash income as resources, the WPM incorporates a more comprehensive range of resources, including federally refundable tax credits (the Earned Income Tax Credit or EITC, and the Additional Child Tax Credit or ACTC), and noncash benefits such as SNAP and housing subsidies, and it adjusts for household needs, such as out-of-pocket medical costs and work-related expenses that include child care and transportation costs. Consistent with our goal of measuring poverty in Wisconsin, we include Wisconsin-specific public resources, such as the Wisconsin Homestead Tax Credit and the Wisconsin state EITC, in addition to the federal EITC.

To consider need, our poverty thresholds are based on food, clothing, shelter, and other expenses, which are set at roughly the 33rd percentile of national expenses for a two-child, two-adult family, with adjustments for prices in Wisconsin. This approach differs from the official poverty measure, which is based on three times the cost of a minimally adequate diet in the 1960s, with adjustments for inflation. To estimate the poverty threshold specific to Wisconsin, we begin with the current experimental federal poverty threshold published by the Census.

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In 2014, the national threshold was $27,656. Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2014 was $24,956, about $550 more than the 2013 level of $24,406. The Wisconsin line is lower than the rest of the nation because the cost of living in Wisconsin is about 8 percent lower than for the nation as a whole. For comparison, the official U.S. poverty line for a two-child, two-adult family in 2014 in the United States (including Wisconsin) was $24,008.

In refining the measures of need, we calculated poverty thresholds for families of different sizes through the use of equivalence scales, which take account of differences in family size and other factors. We also made adjustments to the poverty thresholds based on differences in housing costs across regions in Wisconsin and type of dwelling (owners with a mortgage, owners without a mortgage, and renters) and expected medical expenses (which vary across families based on health insurance status, presence of elders, family size, and health status). To determine whether a family—and individuals belonging to the family unit—could be considered poor, we compared their comprehensive measure of resources to the relevant threshold.

In summary, the WPM helps us to better understand the needs and resources of Wisconsin residents, as well as the impact of policies intended to reduce poverty by lowering expenses and/or increasing resources. Specifically, we account for the effect of policies that help reduce out-of-pocket costs of working, and those that help reduce medical care expenses, such as BadgerCare. And our program estimates reflect not only national policy changes but also changes instituted by the State of Wisconsin in federal programs administered by the state (like SNAP) and state programs like the Wisconsin EITC.

In the next section, we report our results, looking first at data for 2014. We look at poverty overall, and then turn to an examination of poverty for two vulnerable groups (children and the elderly). We then turn to poverty trends during the period from 2008 through 2014.

POVERTY AND THE EFFECTIVENESS OF THE SAFETY NET IN WISCONSIN, BY MEASURE AND POPULATION

Wisconsin Poverty in 2014

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, 24.2 percent of the state population as a whole and a smaller percentage of children living in families (23.0 percent) is poor, with more than half (50.1 percent) of the elderly considered poor. These are the three tallest bars in each segment of Figure 4 below.

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8The Census Bureau has calculated four different versions of the NAS-based thresholds for 1999–2014, which can be found at [http://www.census.gov/hhes/povmeas/data/nas/tables/20143/index.html](http://www.census.gov/hhes/povmeas/data/nas/tables/20143/index.html). For the Wisconsin Poverty Measure, we used the version that included medical expenses and the repayment of mortgage principal for owned housing.
Using the official poverty measure, which takes into account the effect of cash benefits such as Social Security and unemployment insurance, elderly poverty drops dramatically to 6.8 percent mainly due to Social Security benefits. Child poverty under the official measure is also lower than under the market-income measure, but is much higher than the other age groups, with child poverty rates at 17.6 percent, in large part because few cash assistance benefits are currently provided to otherwise poor families with children in the United States. Under the official measure, overall poverty lies between the extremes of elderly and child poverty, at 12.1 percent in 2014.

Under the WPM, the last bar in each subset of Figure 4, child and elderly poverty rates still diverge but the differences are greatly reduced, with a poverty rate of 11.8 percent for children and 8.3 percent for the elderly. Overall poverty is between these at 10.8 percent. The primary reasons that child poverty was lower under the WPM than in official statistics is that more families with children earned their way out of poverty last year (lower market-income poverty), and families with kids are eligible for a broader range of tax credits (e.g., the Earned Income Tax Credit is primarily for families with children), and also have markedly higher take-up rates of SNAP and other noncash safety net programs than do individuals without children. In addition, the WPM, unlike the official measure, counts the income of unmarried partners as contributing to family resources; this consideration by the WPM makes a substantial difference in estimating child poverty because many poor children live with single mothers and their unmarried partners. In contrast, elderly poverty is higher under the WPM than the official measure, mainly because these individuals have out-of-pocket medical expenses that exceed the noncash benefits they receive that are not considered by the official measure.
Trends in Wisconsin Poverty, 2008 to 2014

As shown in Figure 1, poverty under the WPM was about the same in 2014 as in 2013, compared to a decline in the official measure (and no change in the market-income measure). Specifically, in this eighth annual Wisconsin Poverty Report, we find that, according to the WPM, overall poverty stayed at 10.8 percent, about the same rate as in 2011 and 2013. This leaves Wisconsin with an overall poverty rate below the official level, but with no real progress against poverty since the declared end of the Great Recession in 2009. The fragility of the recovery as well as reductions in noncash benefits and tax-related credits appear to have muted the decline in Wisconsin poverty, leaving the state with an uncertain plateau in poverty, similar to last year’s report.

Child poverty rates, shown in Figure 5, decreased significantly under the market-income and official poverty measures, while the WPM for children was flat. Changes in market income, which essentially capture changes in employment and earnings, appear to be driving the trends in market and official child poverty between 2010 and 2014. Families with children got some boost from the recovering economy in 2014, and using the official measure that translated into a significant decline in official child poverty. But the WPM did not budge. While families with children continued to benefit from some of the public program increases under the American Recovery and Reinvestment Act of 2009 (ARRA), the additional resources were not enough to carry through the pattern of falling market-income poverty of their parents in 2014.

At the start of the recession, the WPM shows different trends from those shown by the two cash-based measures. Between 2009 and 2010, earnings fell sharply, but SNAP benefits rose as more families qualified for assistance and as both SNAP and the federal EITC and other refundable tax benefits were expanded under the ARRA. (Because the state EITC is tied to a percentage of the federal EITC, the state EITC also increased; however, the growth in the state EITC was offset by state action to reduce the state EITC, effective in tax year 2011 and continuing.) As these programs expanded, child poverty as measured under the WPM actually declined, despite the worsening economy and increase in market-income poverty (see Figure 5). Now, as the economy expands and we would expect the improving labor market to translate into lower levels of WPM child poverty, instead we are in a rut at a poverty rate a bit above the 2010 and 2012 low child poverty years.

Between 2013 and 2014, elderly poverty in Wisconsin as measured by the comprehensive WPM fell from 9.0 to 6.8 percent, while the official measure fell almost as much, from 10.0 to 8.3 percent, as shown in Figure 6. Such a large and significant fall in 2014, the opposite of the large rise in 2013, is somewhat unusual. Individuals age 65 and older are less likely to be employed than younger individuals, and thus are generally less affected by recessions or by changes in tax policy.

Social Security benefits keep many elders, who have little or no market income, out of poverty as each new generation of elders had higher earnings during their working years on average and therefore receive higher Social Security benefits than the previous generation. Between 2012 and 2013, inflation adjustments for the expense-based poverty line for the WPM increased by more than the cost-of-living adjustments (COLA) for Social Security, and between 2013 and 2014, the opposite occurred, with the COLA rising more than the WPM poverty line. And, because there are a fairly large number of elderly individuals and couples whose incomes are just slightly above or below the poverty line, small changes in inflation adjustments can move them from one side of the poverty line to the other, as appears to have happened in 2013 and in 2014 in Wisconsin. In addition, the 2014 rise in medical out-of-pocket expenses was less than the benefit increase in 2013, hence eating up a smaller fraction of elder incomes. These factors contributed to the WPM poverty rate among the elderly bouncing jaggedly from 2012 to 2014, rising to its highest level since 2009 under the WPM in 2013, but then falling back in line with the 2011 WPM poverty rate in 2014. In all cases, the WPM rate is higher than the official line, but lower than child and overall poverty rates using either measure, as shown below in Figure 6.
Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

The WPM shows the economic effects of a much wider range of policies aimed at the poor than does the official poverty measure. Partly as a result of welfare reform and the growing importance of earnings, even at low-paid jobs, the majority of the expansion in public benefits in Wisconsin during and since the recession has been in the form of noncash programs and tax-related benefits tied to work activities, rather than cash transfer programs. For this reason, it is important to document the effects of these noncash and tax benefits on poverty.

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9For instance, a recent report on Wisconsin poverty using the official poverty measure only, but the same ACS data used in the WPM, averaged over a much longer period found that overall poverty rates were the highest in 30 years and that child poverty was nearly 20 percent. But this report (http://www.apl.wisc.edu/publications/acs_5years_dec15/acs_poverty_brief.html) did not include the noncash benefits, taxes, and other factors in the WPM. It also did not capture the effect of market incomes on poverty and it therefore could not tell us why poverty rose or fell and by how much the recovering economy or noncash programs affected state poverty. This report can help answer these questions and tells a very different story.
In this section, we estimate what poverty rates would have been if we had not counted noncash and tax benefits, or work-related resources/expenses and medical resources/expenses. Noncash and tax benefits lower poverty rates by increasing disposable income, as do public housing and energy benefits. Meanwhile, higher expenses for child care, work, and medical care move in the opposite direction to raise poverty. Hence we indirectly show the impact of policies designed to reduce these expenses on poverty, because such policies are as important as safety net programs in improving the economic well-being of low-income families.

Among the benefit programs examined in this analysis, SNAP benefits had the greatest impact on reducing overall poverty in 2014, reducing the percentage of people in poverty by approximately 1.9 percentage points (Figure 7), falling over the past few years as SNAP benefits have contracted in Wisconsin, as shown in Figure 3 above. The second largest antipoverty effect was from tax provisions such as the EITC, and here the effects were lower in 2014 than in 2010 to 2011. In earlier years, there was the Making Work Pay tax credit (which was in effect in 2009 and 2010) and the 2 percentage point reduction in payroll taxes mentioned earlier (which was in effect in 2011 and 2012). Neither the work tax credit nor the cut in payroll taxes were in effect in 2013 or 2014, and as a result, the net effect of taxes and tax credits was less likely to lift the working poor out of poverty in 2014 than in 2012/2013 or 2014.
Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty, but again both show declining effects from 2011/2012 onward. The larger impact of these programs on children can be seen in 2014, when tax-related provisions reduced child poverty by 4.5 percentage points and SNAP benefits reduced child poverty by 3.3 percentage points (see Figure 8 and compare to Figure 7). While the net impact of the EITC and other tax provisions had a somewhat smaller effect in 2014 than in the earlier years, it was still quite substantial. As noted above, various tax and SNAP provisions have changed since the end of the recession.

Taxes had a negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by 0.9 percentage points during 2014, much less than for children (see Figure 9). This pattern of tax effects is expected because the largest tax credits are focused on working individuals who are parents of minor children; and SNAP benefits are also more generous to larger families. Housing and energy assistance provide modest assistance to all groups, each reducing poverty by 1.0 percentage point or less in any year.

**Source:** IRP tabulations using 2008–2014 American Community Survey data.

**Note:** SNAP = Supplemental Nutrition Assistance Program, also known as “FoodShare” in Wisconsin. To simplify the figure, effects averaged over two years are shown for 2008 to 2009 and 2010 to 2011; for year-to-year impacts in 2008 to 2011, see earlier *Wisconsin Poverty Reports*. 
Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2014


Note: SNAP = Supplemental Nutrition Assistance Program. To simplify the figure, effects averaged over two years are shown for 2008–2009 and 2010–2011; for year-to-year impacts in 2008–2011, see earlier reports.

Work expenses and medical expenses have negative impacts on poverty; that is, the poverty rates are higher after one takes into account the resources spent in these areas. The logic for work expenses is simple: one has to incur costs for working in order to have the earnings that are supplemented by refundable tax credits that are based on these earnings. The overall negative impact of work expenses on poverty rose substantially in 2014 compared to 2010 to 2013 (Figure 7). One would expect that the effects of work-related expenses like child care should be larger as the economy recovers and more families have earnings and associated work expenses. As might also be expected, the effects of work related costs were larger on families with children (Figure 8) than overall (Figure 7) or for the elderly (Figure 9).

While medical expenses increased poverty for all groups, the effects of medical expenses were felt more acutely by the elderly, who are more likely to be in need of costlier and sustained medical care. In general, out-of-pocket medical expenses (e.g., insurance premiums, co-payments for medical services, prescription and over-the-counter drugs, and uninsured medical expenses) present a significant challenge for the low-income elderly and these costs continue to rise in Wisconsin and elsewhere. Medical costs increased elderly poverty rates by

10Our estimates of child care expenses rely on imputations (using data from the Current Population Survey), which may contribute to some variability in year-to-year patterns. Still, the increased negative impact of work-related expenses on poverty is consistent with rising costs for work-related expenses like child care in an economy with more people working yet flat or falling wages for low-skill workers. The steady decline in public spending on child care subsidies under the Wisconsin Shares program since 2008 also may contribute to families’ rising out-of-pocket work expenses.
2.8 percentage points in 2013, by less than in earlier years as health care costs for the elderly in Wisconsin have moderated in recent years, but still by a large amount (Figure 9).

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2014


Note: SNAP = Supplemental Nutrition Assistance Program. To simplify the figure, effects averaged over two years are shown for 2008–2009 and 2010–2011; for year-to-year impacts in 2008–2011, see earlier reports.

Altogether, the net poverty-increasing effects of work and medical expenses were far less than the poverty-reducing effects of noncash benefits, overall and especially for children, where the largest antipoverty effects were from SNAP and refundable taxes in 2014 (Figures 7 and 8). For elders, medical cost increases swamped the sum of all noncash benefits and hence led to a higher WPM rate than that found in the official measure by 1.8 percentage points (Figure 6, compare 6.8 percent to 8.3 percent in 2014). This suggests that public policies designed to increase the coverage of medical expenses for the low-income elderly can do more to help to alleviate the economic hardship felt by this group than most any other policy.

Poverty within Wisconsin: Poverty Rates by County or Multicounty Substate Areas

A significant strength of the WPM is its ability to portray poverty across regions within the state. Our categorization of substate areas includes 13 large counties and 15 multicounty areas that encompass the remaining areas of the state. While some of the multicounty areas comprise only two counties (e.g., Sauk and Columbia), others require as many as 7 to 10 of the more-rural counties in order to reach a sufficient sample size to obtain reliable estimates.

As shown in Table 1 below, our analysis of substate areas reveals that the overall statewide poverty rates hide substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these substate areas range from 17.3 percent in Milwaukee County (and 16.7 percent in Kenosha) to 4.4 percent in the Washington/Ozaukee multicounty area. As shown in Map 1, Milwaukee County and several southeast counties
(Kenosha, Walworth, and Dane) were the places with rates significantly higher than the state average of 10.8 percent. Meanwhile, eight areas have rates that are significantly lower than the statewide rate, including the counties of Washington/Ozaukee, Fond du Lac/Calumet, St. Croix/Dunn, Marathon and Sheboygan, all below 6 percent, Waukesha at 6.4 percent, and with several others in northeastern Wisconsin below 8 percent.

| Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2014 |
|-------------------------------------------------------|--------------------------------------------------------------|
| County                                               | Wisconsin Poverty Measure (%) | Confidence Interval: Lower Bound (%) | Confidence Interval: Upper Bound (%) | Difference from State Average |
| Milwaukee                                            | 17.3                          | 15.9                                      | 18.7                                      | Higher                        |
| Dane (Madison)                                       | 13.5                          | 11.6                                      | 15.4                                      | Higher                        |
| Waukesha                                             | 6.4                           | 4.9                                       | 7.9                                       | Lower                         |
| Brown (Green Bay)                                    | 10.9                          | 8.5                                       | 13.2                                      | NS                            |
| Racine                                               | 8.7                           | 6.0                                       | 11.4                                      | NS                            |
| Kenosha                                              | 16.7                          | 12.8                                      | 20.6                                      | Higher                        |
| Rock (Janesville)                                    | 10.3                          | 7.2                                       | 13.4                                      | NS                            |
| Marathon (Wausau)                                    | 5.4                           | 3.2                                       | 7.6                                       | Lower                         |
| Sheboygan                                            | 5.4                           | 3.2                                       | 7.6                                       | Lower                         |
| La Crosse                                            | 10.6                          | 8.2                                       | 13.0                                      | NS                            |
| Outagamie (Appleton)                                 | 10.1                          | 7.7                                       | 12.5                                      | NS                            |
| Winnebago (Oshkosh)                                  | 9.4                           | 7.0                                       | 11.8                                      | NS                            |
| Walworth (Whitewater)                                | 16.6                          | 12.6                                      | 20.7                                      | Higher                        |
| Multi-County Area                                    |                               |                                           |                                           |                               |
| Washington & Ozaukee (West Bend)                     | 4.4                           | 3.0                                       | 5.8                                       | Lower                         |
| Sauk & Columbia (Baraboo)                            | 8.5                           | 5.9                                       | 11.1                                      | NS                            |
| Dodge & Jefferson                                    | 8.0                           | 5.5                                       | 10.6                                      | NS                            |
| Manitowoc & Kewaunee                                 | 12.5                          | 9.1                                       | 15.9                                      | NS                            |
| Fond du Lac & Calumet                                | 5.5                           | 3.3                                       | 7.7                                       | Lower                         |
| St. Croix & Dunn                                     | 5.8                           | 4.2                                       | 7.3                                       | Lower                         |
| Eau Claire & Chippewa (South)                         | 11.1                          | 8.5                                       | 13.8                                      | NS                            |
| Barron, Polk, Clark & Chippewa (North)               | 9.8                           | 7.4                                       | 12.1                                      | NS                            |
| Marinette, Oconto, Door & Florence                   | 7.2                           | 5.0                                       | 9.5                                       | Lower                         |
| Central Sands—Wood, Portage, Juneau & Adams          | 10.7                          | 8.5                                       | 12.8                                      | NS                            |
| Oneida, Lincoln, Vilas, Langlade & Forest            | 9.9                           | 7.6                                       | 12.2                                      | NS                            |
| Grant, Green, Iowa, Richland & Lafayette             | 8.7                           | 6.9                                       | 10.5                                      | NS                            |
| East Central Wisconsin                               | 7.4                           | 5.9                                       | 9.9                                       | Lower                         |
| West Central Wisconsin—Northern Mississippi Region   | 11.5                          | 9.3                                       | 13.8                                      | NS                            |
| Northwest Wisconsin                                  | 8.8                           | 7.2                                       | 10.4                                      | NS                            |
| State Total                                          | 10.8                          | 10.3                                      | 11.3                                      |                               |

Source: IRP tabulations of 2014 American Community Survey data.

Notes: NS = Not statistically significant. In this analysis, each region’s difference from the state average was assessed as not statistically significant if the 90% confidence intervals for each region’s statistics and the state’s overall statistics overlap.
Poverty estimates for some regions within the state’s largest counties can also be assessed by taking advantage of relatively large sample sizes for ACS data. Poverty rates examined across subcounty regions show variations that are more dramatic within counties than across the 28 areas in the state. For instance, within Milwaukee County, overall poverty rates ranged from about 8.0 percent in one southern subcounty area to 33.5 percent in the central city of Milwaukee in 2014, suggesting a significant segregation of the poor and the rich within that county. Furthermore, Milwaukee is surrounded by wealthy suburban counties to the north and west, where overall poverty rates are also notably below the state average (e.g., Waukesha County at 6.4 percent and Washington/Ozaukee counties at 4.4 percent).

In sum, this year’s report show more variance within Wisconsin and amongst its counties and regions than in earlier reports, suggesting an uneven pace of economic recovery across the state.
The Wisconsin Poverty Measure provides important insights into poverty in Wisconsin as we recover slowly from the Great Recession, in part because the WPM includes noncash benefits and refundable taxes, both of which increased in importance during the recession but are now fading in effect, especially SNAP. The WPM also incorporates other features that better reflect the characteristics, concerns, and interests of our state. In doing so, it demonstrates the importance of using an improved measure of poverty to examine the antipoverty impacts of the economy and of all major public policies and not just cash benefits alone. At the same time, it provides estimates across different regions and subgroups within Wisconsin, thus pointing to areas such as central city Milwaukee, where poverty is unusually high, while also parsing out the effects of the economy from that of income support programs.

Despite an increase in employment in 2014, market-income poverty remained essentially flat overall, as did the WPM poverty measure. In contrast, the official poverty measure showed a significant decrease in poverty. The fact that the increase in jobs did not translate into lower market or WPM poverty rates suggests that the recovery remains fragile for low-income families. Some of the decrease in official poverty is driven by falling elderly poverty, which may be sensitive to the inflation adjustments used in cost-of-living adjustments for Social Security benefits.

There was also good news in terms of the effects of earnings on market income poverty for families with children, which carried through to the decline in the official poverty measure for children; but the WPM for children didn’t budge. Changes in the payroll tax, which increased on January 1, 2013, to its normal, pre-recession level, contributed to the increase in poverty among working families as measured by the WPM in 2013 and 2014, as did the reductions in SNAP benefits. Taken as a whole, the net impact of taxes and refundable tax credits is to reduce poverty in 2014, but not by as much as they did in 2012 or 2013. Moreover, the positive benefits of tax credits and SNAP in reducing poverty are somewhat offset by health care costs (especially for the elderly) and child care and other work-related costs for low-wage working families.

Our key finding is that while jobs and earnings are modestly rising in Wisconsin, they are not helping to reduce overall poverty, at least not in 2014. They are helping families with children, however. While the social safety net provided a buffer against poverty during the recession and still makes a substantial difference in poverty—with the SNAP program having particularly large impacts—the effects are beginning to shrink. This lessening impact of the safety net occurred both because of the recovery (fewer people needed benefits) and because of the return to pre-recession levels in payroll taxes and other deliberate benefit changes such as those made for single people in SNAP. This has left the longer-term WPM poverty measure for all the population and also for families with children below the official measure, but more or less flat from 2009 to 2014.

Because we believe that the long-term solution to poverty for the able bodied non-elderly is a secure job that pays well, not an indefinite income support program, these results present some hope that as the economy slowly climbs back from the recession, increases in earnings will reduce market-income poverty for all working-age adults, as they have done for families with children this year. Still, most of the jobs created in 2012 to 2014 were in low-wage occupations and many were in part-time jobs, which do not by themselves pull low-educated working adults and their children very far above the poverty line (often even with the help of refundable tax credits and SNAP). These trends also suggest that the labor market is doing little to help adults without children to escape poverty.

We also examined poverty rates across regions in the state, revealing deep poverty in some areas, including Milwaukee County as a whole, and especially in the central city of Milwaukee. But the report also signaled a strong recovery in some parts of Wisconsin and more substate areas with lower poverty rates than in any previous report. Clearly there are larger regional differences in poverty within Wisconsin than in earlier years. The WPM could also be used to examine other demographic groups, such as racial and ethnic groups, especially minority children in Milwaukee and Dane counties, were there resources available to do so.
It is important for researchers and policymakers to ask not only whether an income support policy was effective in reducing poverty, but also what better solutions might alleviate longer-term poverty as we emerge from the recession. Long-term poverty solutions for working families should include better employment opportunities and higher-quality jobs with wages and employer benefits that can meet family needs and increase economic self-sufficiency. Long-term solutions also need to include a continuation of work supports such as BadgerCare (Medicaid) and food support (SNAP), as well as child care and other policies to reduce work-related expenses for families with children. In addition, the recent decrease in elderly poverty highlights the importance of continuing to pay attention to medical costs and the adequacy of Social Security benefits for low-income seniors. Despite national and state estimates of slowing medical care cost increases, health care expenses still exceed the rate of increase in overall prices and incomes.

Our Wisconsin Poverty Project is one of the first comprehensive statewide implementations of the National Academy of Sciences-based alternative poverty measures and, as such, the study makes unique contributions to our understanding of the effects of policy on poverty. Until and unless the Census Bureau produces statewide poverty estimates using a National Academy of Sciences measure like the WPM, we must continue with the WPM. Furthermore, we are strongly committed to refining our methods as the Census Bureau and other poverty researchers produce new findings about the federal Supplemental Poverty Measure and as we learn more from other poverty measurement research at the state, local, and federal levels.11
