

Who Is Poor in the U.S. and Across Nations, How Poor, and What Are the Trends?

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Paper provides basic overview of poverty levels, trends and composition

- Brief review of issues in measuring poverty, 3 measures used
- Level of poverty in US: by subgroup, level compared to other countries
- Composition of those below poverty.
- Depth of poverty
- Income sources of the poor.
- Poverty Dynamics
- Trends in poverty in US: by subgroup, trends compared to other countries
- Trends in composition of those below poverty.

Measure #1:

Gross Cash Income – Official Threshold

- Official US measure
 - Gross cash resources
 - Ignores taxes and EITC
 - Ignores non-cash benefits (Food Stamps, housing)
 - Threshold from Orshansky, 3 times economy food plan, updated for price change
 - Odd equivalence scale
 - Does not change with standard of living
 - No adjustments for the fact that food expenditures are a much smaller fraction of total family expenditures than they were when the thresholds were conceptualized.
 - Trends in poverty are sensitive to the price index used for updating the thresholds.

Measure #2: Net Income, Official Threshold

- The official measure with a more realistic measure of available resources
 - Net cash and near-cash resources
 - Adds EITC, subtracts income & payroll taxes - using the CPS's tax imputations for 2011 levels and the NBER's TAXSIM for trends
 - Adds Food Stamps
 - Official threshold

Measure #3:

Net Income, 50% of Median HH Income

- Net cash and near-cash resources
 - Same as measure #2
- Implicitly assumes resources are shared within HHs
- Threshold is 50% of median equivalized household income
- Substantially higher threshold than measures 1 & 2
 - 2 adults/1 child official threshold '11: \$18,106
 - 1 adult/2 children official threshold '11: \$18,123
 - 50% median for any family size 3 in '11: \$25,699

2011 Poverty Rates

- For all:
 - 15.0% using gross cash income compared to the official threshold
 - 11.9% using cash, food stamps, and EITC less taxes compared to the official threshold
 - 16.4% using cash, food stamps, and EITC less taxes compared to 50% median income

Poverty Rates in 2011 for Subgroups

- Age groups (<18, 18-65, 65+)
- Less than age 65
 - Race
 - Location (region, urban status)
 - Family type (head, size)
 - Characteristics of the head (education level, workers status)

Poverty Rates in 2011

By age group and race

Group	Poverty Rate
By age group	
Age less than 18	21.9
Ages 18 to 64	13.7
Age greater than 65	8.7
By race (less than 65)	
White	10.5
Black	28.4
Hispanic	25.7
Asian or Pacific Islander	12.3

Poverty Rates in 2011

By location

(official measure, persons less than age 65)

Group	Poverty Rate
By region	
Northeast	13.8
Midwest	15.0
South	16.9
West	16.9
By urban status	
Central city	21.2
Other metro	11.7
Rural	18.5
Unclassified	15.9

Poverty Rates in 2011

By family characteristics

(official measure, persons less than age 65)

Group	Poverty Rate
By family type	
Married couple family	8.0
Male headed family	17.9
Female headed family	35.7
Male nonfamily	21.5
Female nonfamily	28.4
By family size	
One (nonfamily)	24.6
Two	11.9
Three	13.1
Four	12.1
Five	16.1
Six or more	25.1

Poverty Rates in 2011

By characteristics of head (official measure, persons less than age 65)

Group	Poverty Rate
By education level of head	
Less than high school	39.3
High school diploma or equivalent	19.8
Some college, no four year degree	14.4
Four year college degree	5.2
By worker status of head	
Not working	49.9
Working, not FTFY	27.8
Working FTFY	4.5

Does Measurement Matter?

- Net income, official threshold
 - Due to more resource being counted as income, poverty rates based on this measure tend to be slightly lower
 - Relative rankings across groups are the same as with the official measure
- Net income, 50% of median threshold
 - Because of the higher threshold poverty rates based on the 50% of median household income tend to be higher
 - The relative rankings if poverty rates using different measures are similar across groups with one important exception – elders have higher poverty rates than adults ages 18 to 65 using the relative measure (20.1% for children, 16.7% for 18-64, **18% for 65+ compared with 8.7% using the official measure**)
 - Lots of elders are clustered above just above the official threshold

The Composition of the Poor in 2011?

- By basic demographic characteristics (age group, race for those less than age 65)
- By family characteristics for those less than age 65 (family type, family size)
- By characteristics of the family head for those less than age 65 (education level, worker status)

The Composition of the Poor in 2011

By age group and race (official measure)

Group	Percent of Poor	Disproportionality Index (poverty share)/(pop share)
By age group		
Age less than 18	35.0	1.5
Ages 18 to 64	57.2	0.9
Age greater than 65	7.8	0.6
By race (less than 65)		
White	41.4	0.7
Black	23.2	1.8
Hispanic	31.0	1.6
Asian or Pacific Islander	4.4	0.8

The Composition of the Poor in 2011

By location (official measure)

Group	Percent of Poor	Disproportionality Index (poverty share)/(pop share)
By region		
Northeast	15.2	0.9
Midwest	20.0	0.9
South	39.5	1.1
West	25.3	1.1
By urban status		
Central city	37.0	1.3
Other metro	31.7	0.7
Rural	16.8	1.2
Unclassified	14.5	1.0

The Composition of the Poor in 2011

By characteristics of the family (official measure)

Group	Percent of Poor	Disproportionality Index (poverty share)/(pop share)
By family type		
Married couple family	30.6	0.5
Male headed family	6.0	1.1
Female headed family	39.3	2.2
Male nonfamily	11.6	1.3
Female nonfamily	12.5	1.8
By family size		
One (nonfamily)	24.1	1.5
Two	15.1	0.7
Three	16.0	0.8
Four	17.2	0.8
Five	12.7	1.0
Six or more	14.9	1.6

The Composition of the Poor

By characteristics of the head (official measure)

Group	Poverty Rate	Disproportionality Index (poverty share)/(pop share)
By education level of head		
< HS	30.6	2.4
HS or equivalent	34.7	1.2
Some college, no degree	24.7	0.9
Four year college degree	9.9	0.3
By worker status of head		
Not working	49.6	3.1
Working, not FTFY	32.3	1.7
Working FTFY	18.1	0.3

The Depth of Poverty in 2011

- Deep poverty is defined as having gross cash income less than 50% of the official threshold
- 46% of the nonelderly poor are in deep poverty, but share of the poor that is in deep poverty is higher than 50% among some groups (nonfamily householders, members of female headed families, members of families in which the head is not working).
- The characteristics associated with high poverty rates are associated with high deep poverty rates (being black or Hispanic, being in a female headed family, having a family head without a HS diploma, having a family head that does not work).

Income Sources of the Poor in 2011 (nonelderly family heads)

Income Source	Percent with Source	Average Amount	Median of Positive (or negative)
Cash Sources			
Earnings	47.0	\$4,368	\$8,000
Social Security	11.1	952	8,800
Public Assistance	6.6	213	2,700
Child Support	5.9	189	2,400
Supplemental Security	10.6	754	8,088
Other	29.3	1,042	2,366
Family Income	79.0	7,518	8,800
Poverty Gap	\$8,377		
Food Stamps and Taxes			
Food Stamps	38.2	1,285	2,400
Tax Liability Excluding EITC	34.6	-436	-403
EITC	37.6	873	1,800
Tax Liability with EITC	21.4	437	-412
Net Family Income	81.4	9,240	9,557
Net Income Poverty Gap	\$6,654		

Income Sources of the Poor in 2011 (elderly family heads)

Income Source	Percent with Source	Average Amount	Median of Positive (or negative)
Cash Sources			
Earnings	7.3	\$498	\$5,000
Social Security	72.2	6,092	8,501
Public Assistance	1.7	35	1,380
Child Support	0.4	7	1,760
Supplemental Security	15.3	840	4,572
Other	27.8	523	486
Family Income	90.1	7,995	9,197
Poverty Gap	\$4,408		
Food Stamps and Taxes			
Food Stamps	26.1	499	1,560
Tax Liability Excluding EITC	6.6	-61	-288
EITC	3.1	66	1,020
Tax Liability with EITC	5.2	4	-213
Net Family Income	91.2	8,498	9,557
Net Income Poverty Gap	\$3,905		

Poverty Dynamics

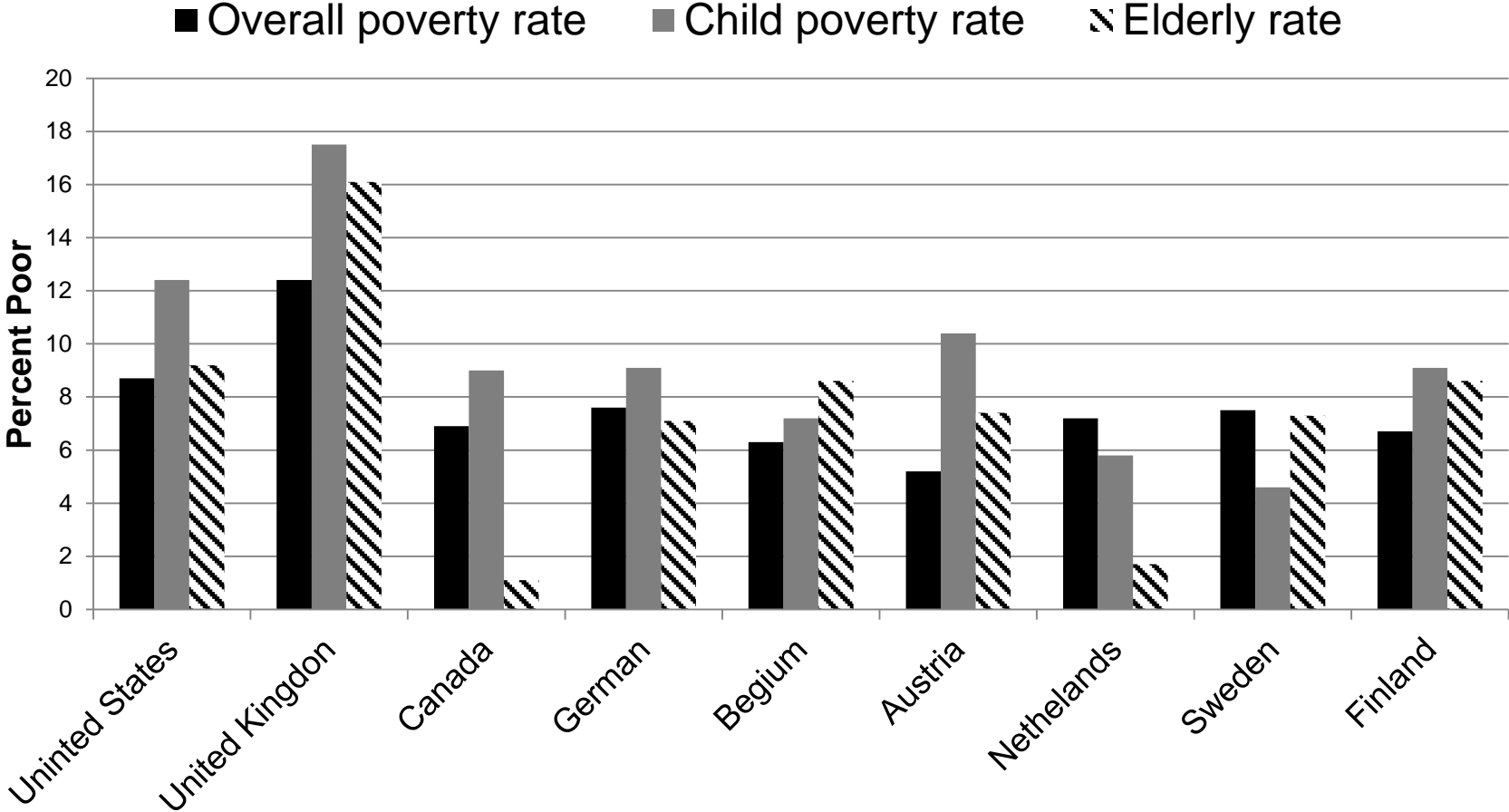
- The study of poverty dynamics is concerned with entry from poverty, exit from poverty, and the duration of poverty
- Entry into poverty
 - The likelihood of entry into poverty is related to demographics in the expected ways (race, female headship, education level, etc.)
 - The most common trigger events for entry are changes in labor supply and earnings, but changes in family structure (married to female family, birth of child) also play a role).
- Exit from poverty
 - The likelihood of exit from poverty is related to demographics in the expected ways (race, female headship, education level).
 - The most common trigger event for exit from poverty is changes in labor supply and earnings. The holds across all family types.

Poverty Dynamics, Cont.

- Lifetime probability of poverty - A surprisingly large fraction of the population will experience poverty at some point in their lives (Rank and Hirschl, 1999a, 1999b, 2001)
 - 27.1% will experience poverty by age 30
 - 41.8% will have experienced poverty by age 50
 - Over 50% will have experienced poverty by age 65
- In general we are more concerned about persistent (and deep) poverty because of its link to indicators of hardship (Bauman and Iceland, 2006)
- Conditional on being poor there are large differences in the expected duration of poverty (Stevens, 2006).
 - An estimated 89.5% black one-year-olds in families headed by a single female without a high school degree will be poor more than 5 out of the next 10 years (Stevens, 1999).
 - The corresponding figure for white one-year-olds in families headed males is 33%(Stevens, 1999).
 - Regardless of family type people entering poverty later in life have a much lower probability of being poor more than 5 out of the next 10 years. (Stevens, 1999)

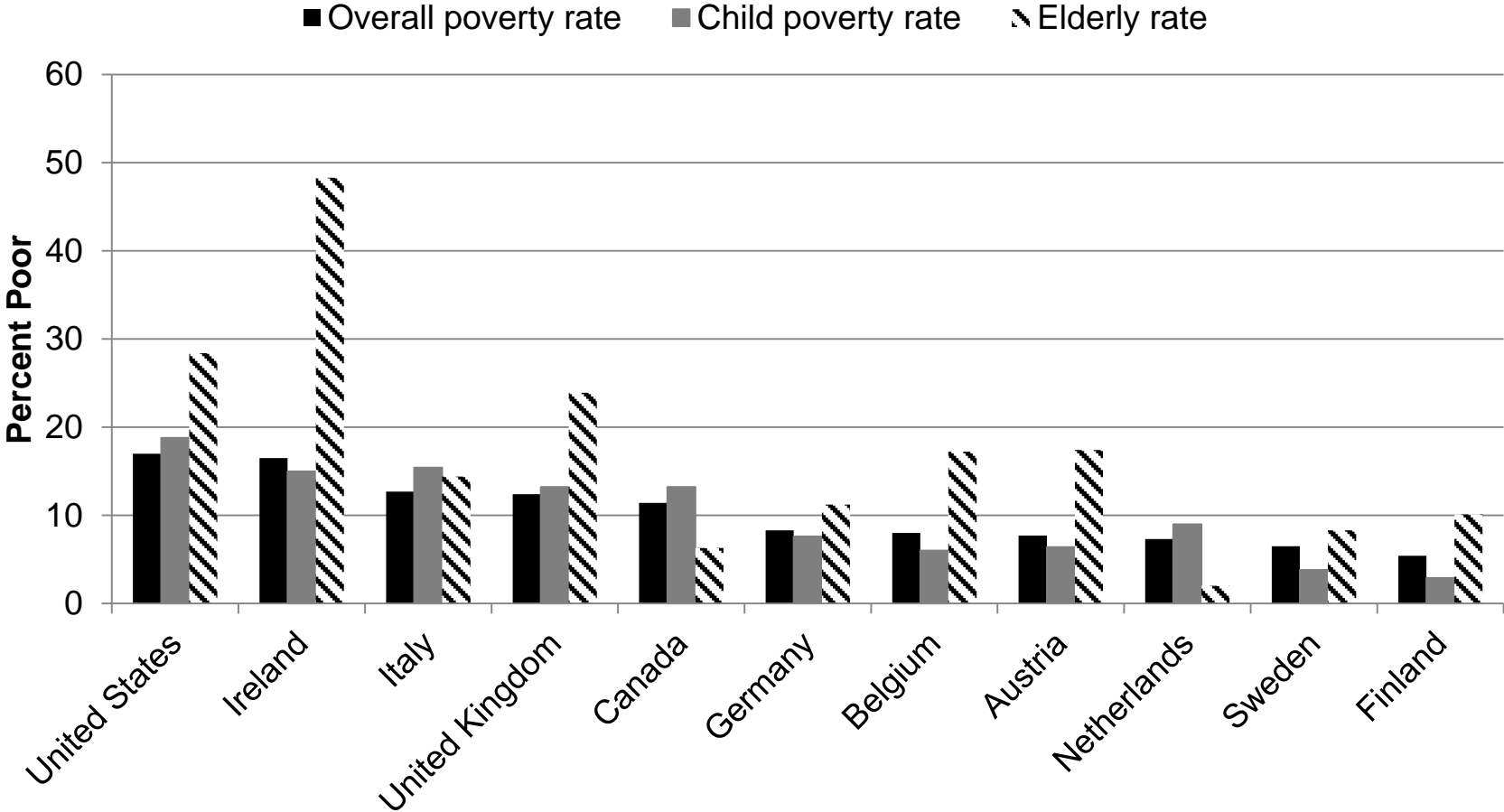
Poverty Levels in 2000 in Select Countries

(Smeeding (2006), official US measure)



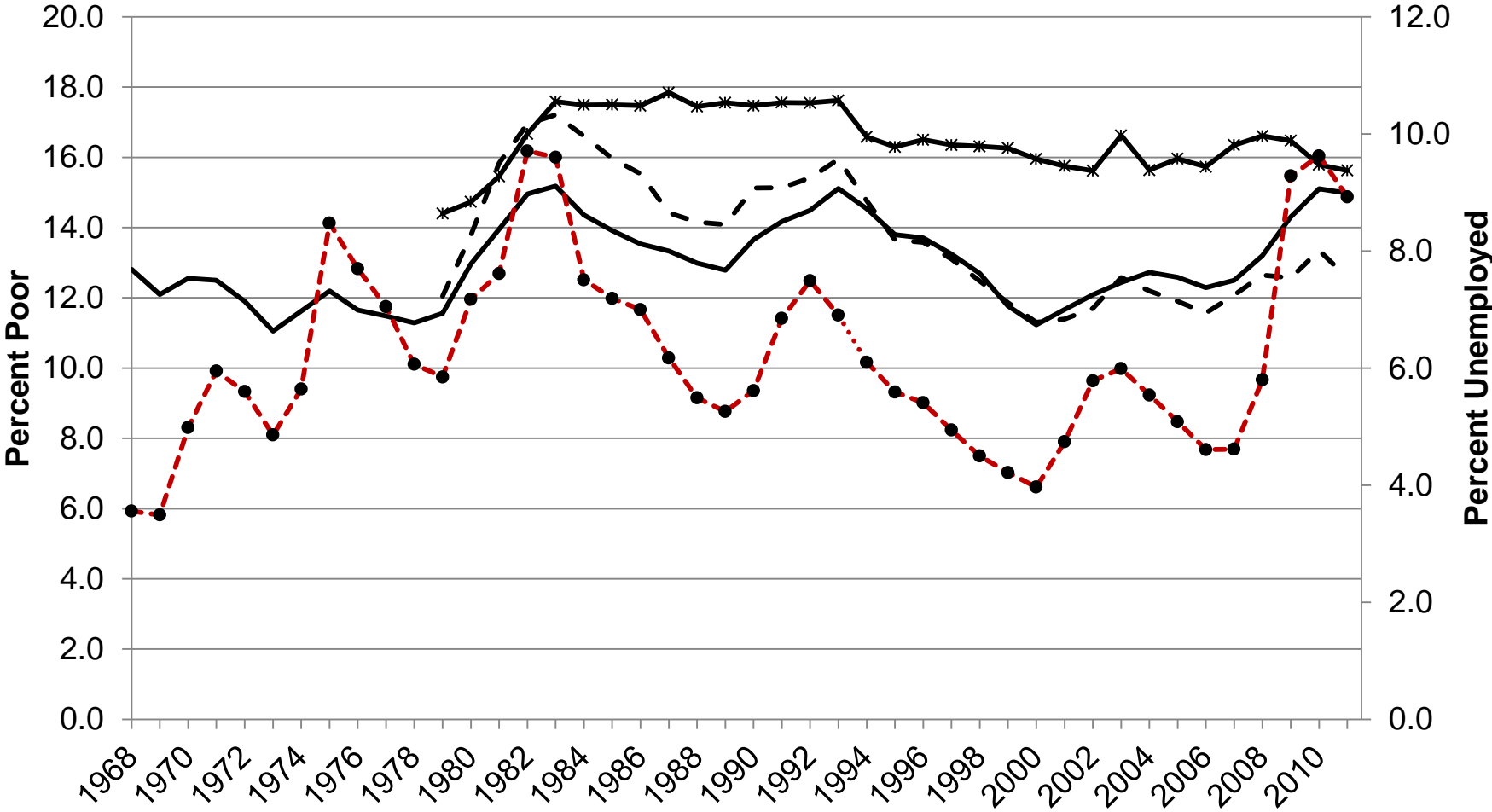
Poverty Levels in 2000 in Select Countries

(Smeeding (2006), Net income, 50% of median)



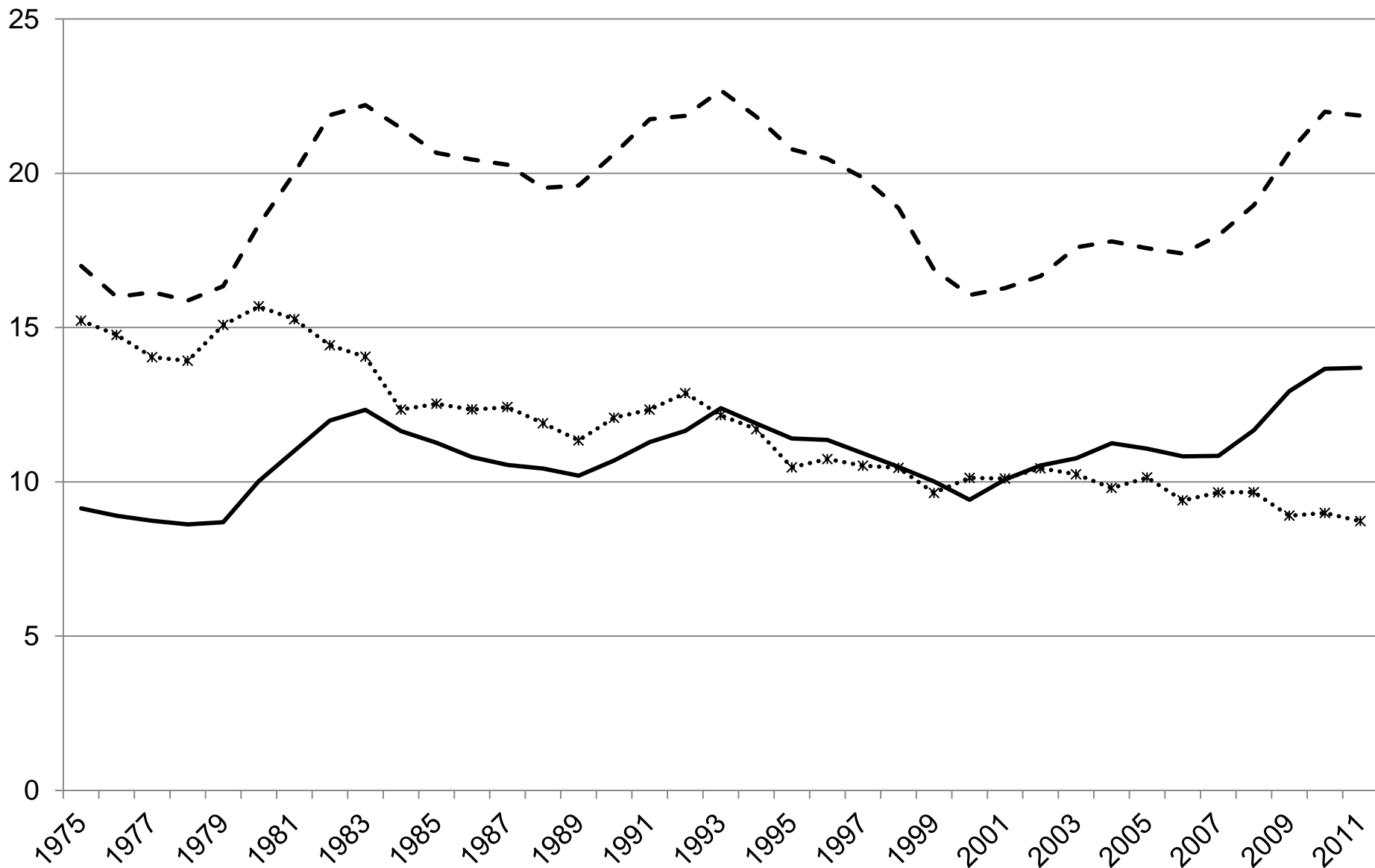
Trends in Poverty Measures Versus the Unemployment Rate

— Poverty Rate (cash income) - - Poverty Rate (net income, NBER tax)
 *— Poverty Rate Relative (net income, NBER tax) -●- Unemployment Rate



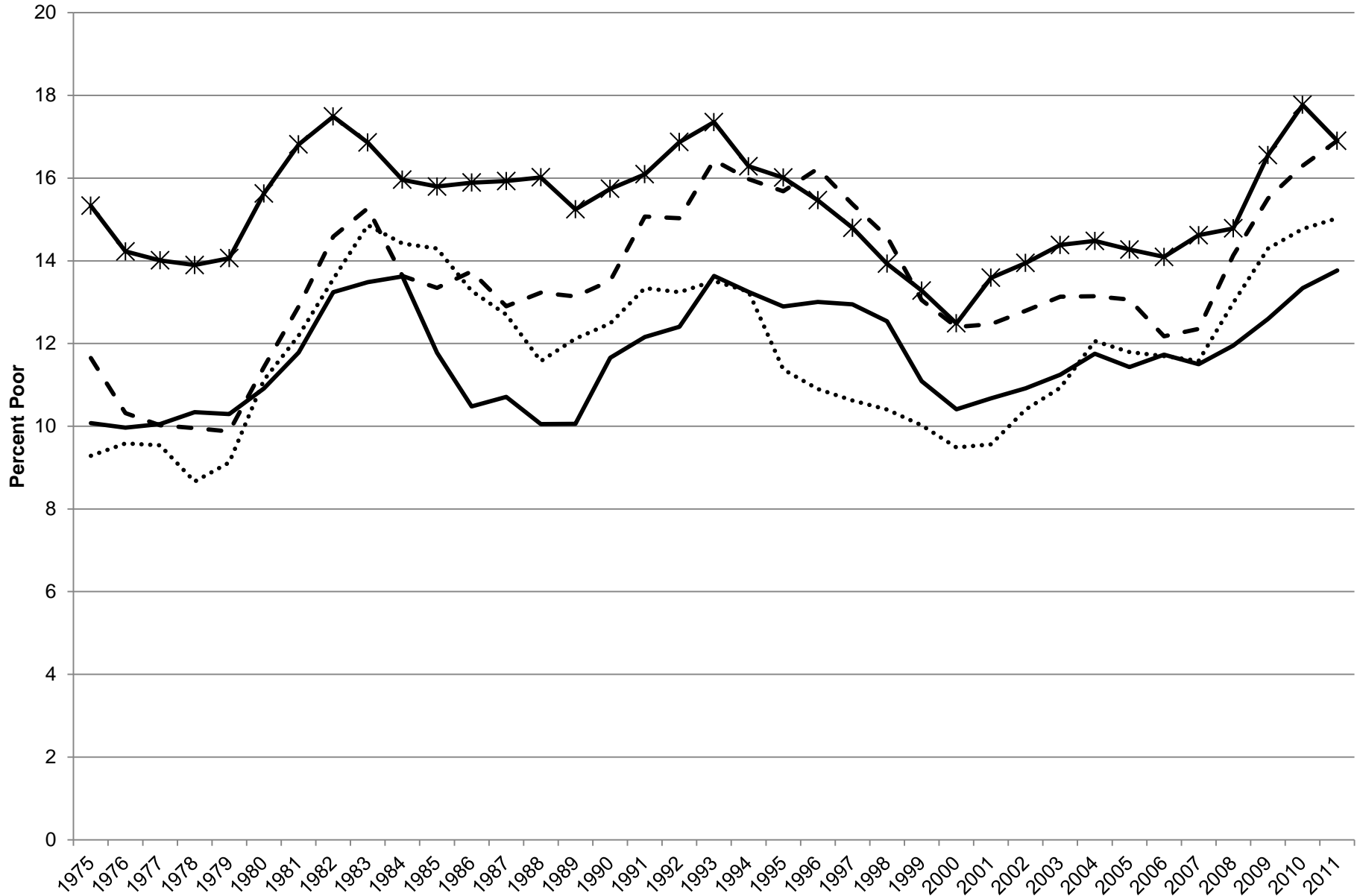
Trends In Age Group Poverty Rates

-- Children — Adults 18-65 ···*··· Adults 65+



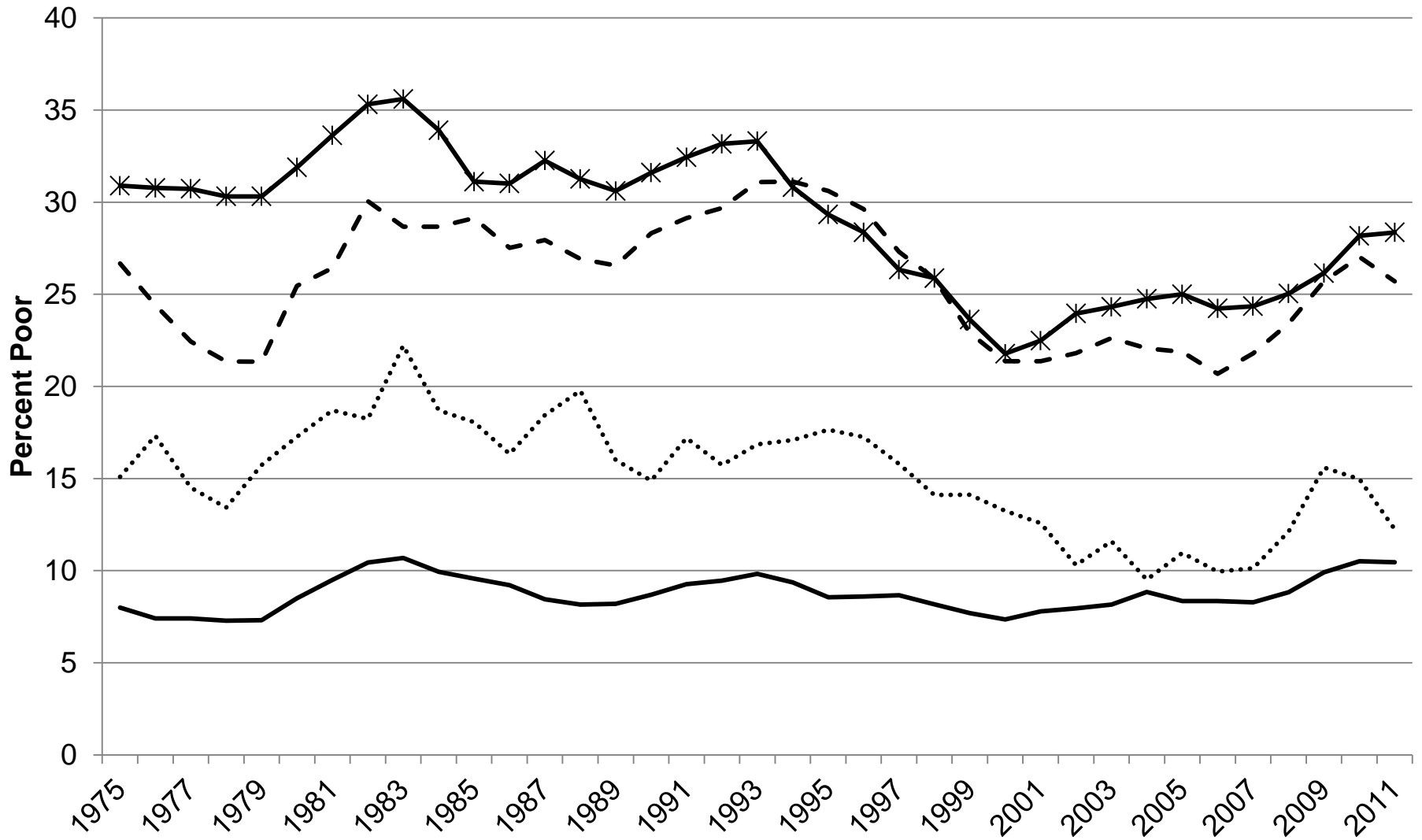
Trends in Regional Poverty Rates

— Northeast Midwest *— South - - - West



Trends in Race-Ethnic Group Poverty Rates

— White *— Black - - Hispanic Asian or Pacific Islander

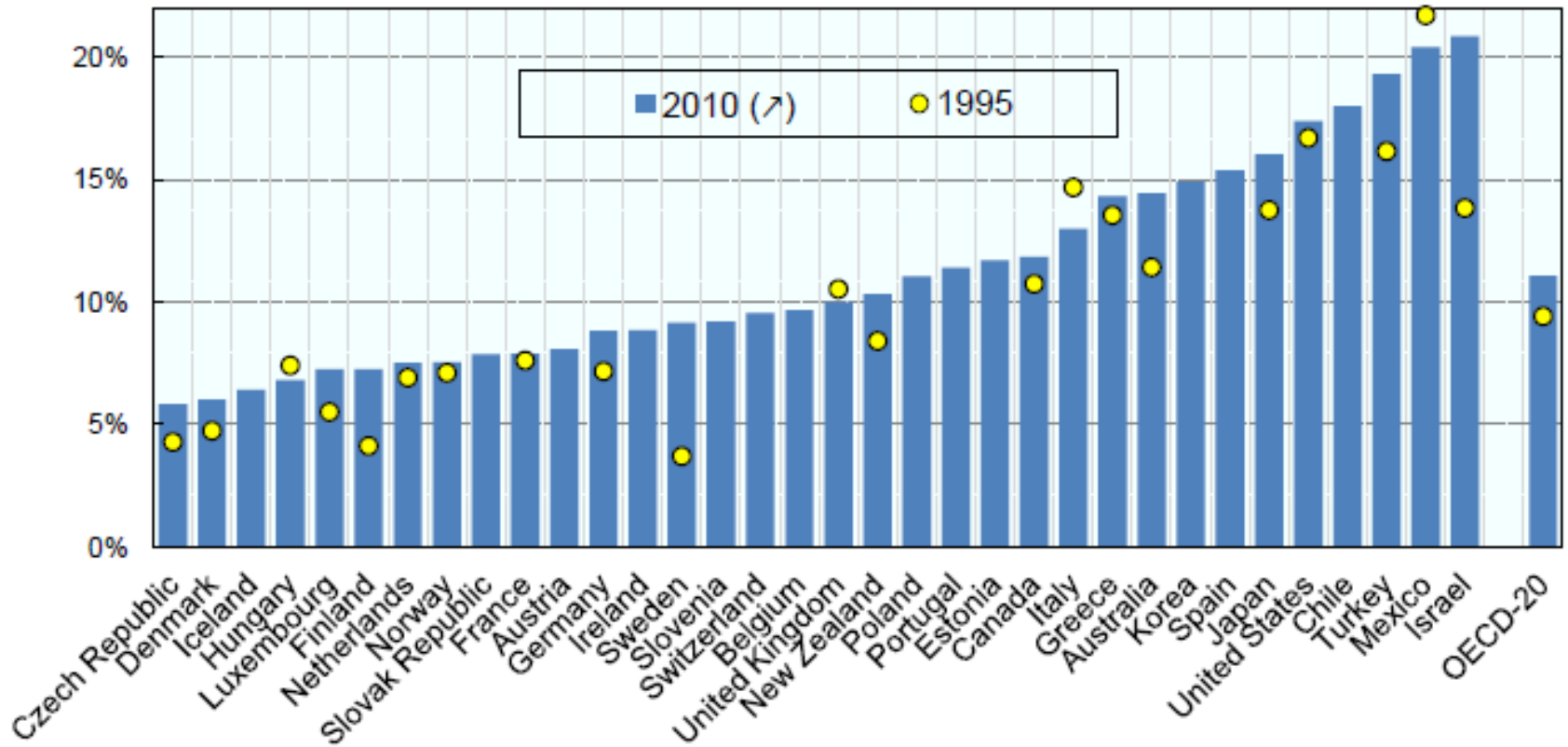


International Trends, ~85-~00

(from Smeeding (2006), relative poverty)

- US poverty rate down 0.8 percentage points (second largest decline)
- UK, Belgium, Ireland, all up 3.0 percentage points or more
- Largest decline in Sweden, down 1.0 percentage points

International Trends, 1995-2010 (OECD (2012), relative poverty)



Major Trends Poverty Composition (1968-2011)

There have been dramatic changes in the composition of poverty over this period, but most changes are driven by changes in the composition of the population

- Much larger fraction of the poor in 2011 were working age adults.
- The browning of poverty – a much larger fraction of the poor in 2011 were non-white.
- The urbanization of poverty – in 1968 nearly 50% of the poor lived in rural areas, compared with about 16.8% in 2011
- The feminization of poverty – larger fraction of the poor in 2011 were living in a female headed family or are female non-family individuals.
- A smaller fraction of the poor in 2011 were living in family units.
- In 1968 poverty was much more concentrated among persons in families with less than a HS education or non-family individuals with less than a HS education.
- Reduced labor force attachment among the non-elderly poor.

Summary

- “The poor you will always have with you”
 - During best economic times, with substantial governmental efforts, and with a poverty threshold that many would argue is too low, rates for population as whole never below 10%
- Measurement matters
 - Median income measure shows much higher rates, much less responsive to economic cycles

Summary

(continued)

- There are substantial differences in poverty rates by race, age, education, family structure, and urban status.
- Poverty rates are linked to the macroeconomy – the Great Recession has had eroded many of the gains made during the late 1990s.
- Poverty rates for subgroups tend to rise and fall at the same times, parallel lines. Several notable exceptions: age, region, and race.
- Over the past 40-years some changes in the composition of the population have worked to increase poverty (increasing fraction on non-whites and the growth in the fraction of female headed families) while others have worked to decrease poverty (increasing education) have worked to decrease poverty.
- Poverty rates in US quite high compared to other rich countries, especially for children
- The poor are diverse – but non-whites, women, persons in female-headed families, and those with less education make up a disproportionately share
- There have been major shifts in the composition of the poor in the nearly 40-years covered by our data, but these are mostly due to changes in the composition of the population.

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