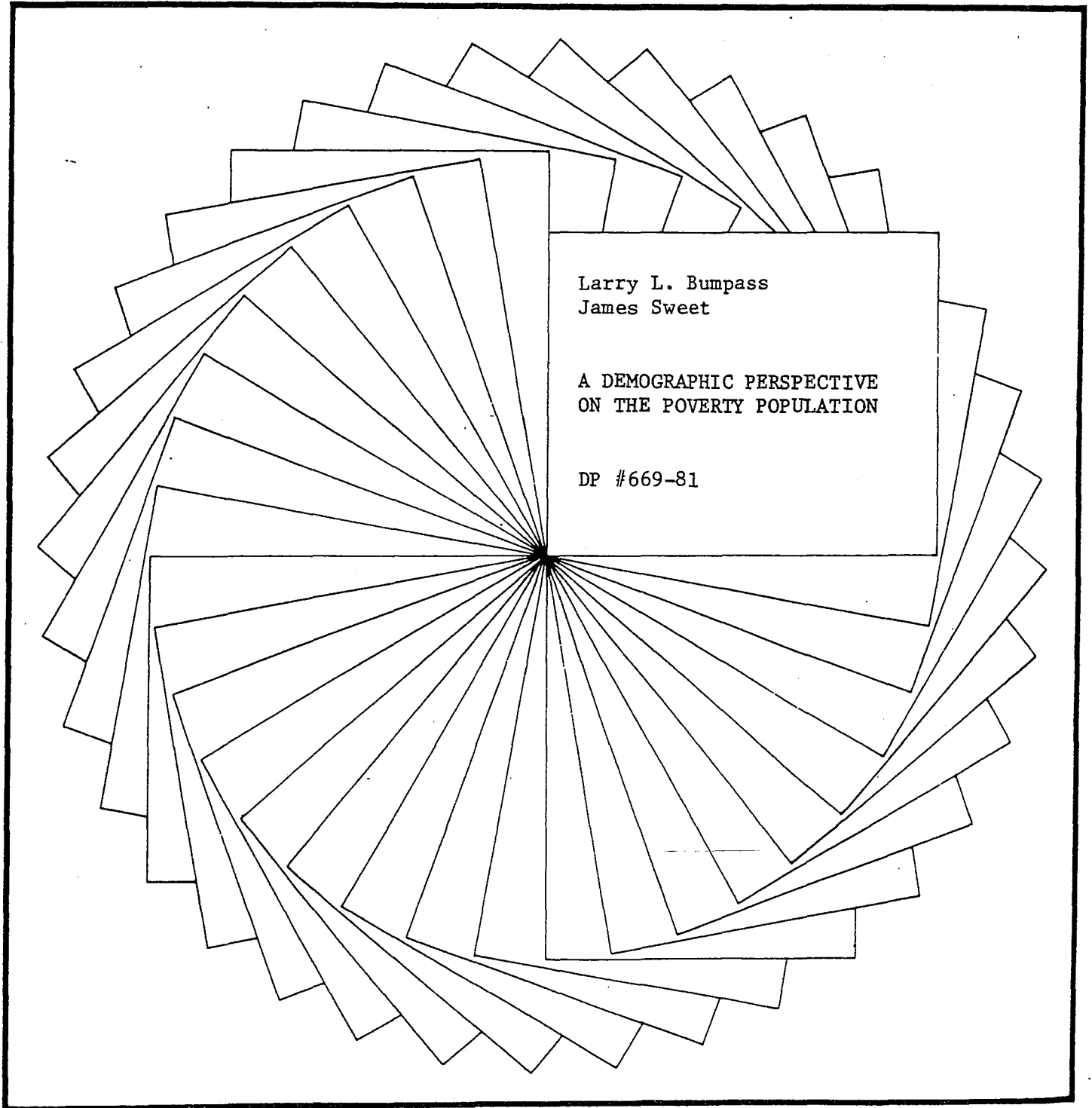




Institute for Research on Poverty

Discussion Papers



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A DEMOGRAPHIC PERSPECTIVE
ON THE POVERTY POPULATION

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A Demographic Perspective on the Poverty Population

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ABSTRACT

This paper calls attention to processes of entry into and exit from poverty, and to the resulting rates of replacement or turnover in the poverty population. In addition to the fluctuating income components of labor supply, wages, and employment, movement into and out of poverty is associated with normal life-cycle transitions--marriage, divorce, and remarriage; household departures and formations; childbirth and aging.

While some persons are born into poverty and live out their lives in this status, that pattern does not characterize the experience of the majority of persons "in poverty" at any one time, nor the majority of those who experience poverty at some time in their lives.

A Demographic Perspective on the Poverty Population

Our purpose is to present an overview of the nature and implications of a demographic perspective on the low-income population. In contrast to perceptions of the lowest economic stratum as a class with relatively stable membership and an adaptive "culture of poverty," the demographic perspective calls attention to processes of entry and exit and to the resulting rates of replacement or turnover in this population. While some persons are born into poverty and live out their lives in this status, that pattern does not characterize the experience of the majority of persons "in poverty" at any one time nor of those who experience poverty at some time in their lives.

Although this is not a technical analysis, we must begin with attention to the definition of the population under discussion. Different populations are indicated by the terms "poverty" and "low income." The latter simply classifies individuals or households on the basis of the level of their personal or household income, whereas the poverty classification takes into account the number and ages of persons sharing that income, thus adjusting for needs of particular households. Based on some level of minimally adequate income to meet the economic needs of a household of a given size or composition, a poverty line is specified. For example, the following families would be at the nonfarm "poverty line" as officially defined in 1977 on the basis of before-tax cash income from all sources, including government transfers:

<u>Family Composition</u>	<u>Poverty Line</u>
Two adults, no children	\$ 4,084
Two parents, two children	6,144
Two parents, four children	8,092
Two parents, four children, a grandmother	10,377
One adult	3,266
One parent, one child	4,120
One parent, three children	6,144

There is considerable overlap between the "low income" and the "poverty" populations, but additional processes are relevant to transitions into and out of the more complicated concept of poverty. Even though imprecise, the needs-adjusted concept seems the more relevant for social policy.

For ease of discussion, we will speak of the "poverty population" as if the concept relates to a distinct population. Obviously, this is not the case; economic well-being is a continuum and the boundary between poverty and nonpoverty is arbitrary. Nonetheless, the processes considered here should usefully inform our thinking about those least well off in our society.

COMPOSITION OF THE POVERTY POPULATION

Before reviewing the major demographic processes affecting the size of the poverty population, we will briefly describe its composition. We could consider either families or individuals as units. Here, we will focus on families. It is necessary to distinguish between the composition of the poverty population and poverty rates. Rate refers to the proportion of a group that is in poverty, whereas composition refers to the proportion

of the poverty population that is in that group. Some groups may have markedly higher rates of poverty and still make up a small proportion of the poverty population because they constitute a small proportion of the total population. For example, in 1977 28 percent of all black families are in poverty compared with 7 percent of white families. Yet since blacks constitute only slightly over one-tenth of all families in the United States, a minority (31 percent) of all families below the poverty line are black. Twenty-one percent of Hispanic families were poor; yet of all poor families, 11 percent were Hispanic.

The age distribution of heads of families in poverty is shown in Figure 1. Nearly half of the total families in poverty were headed by persons aged 25-44. An additional quarter had heads aged 45-64. About one poverty family in seven was headed by a person under 25, and one in eight was headed by a person 65 or older.

A somewhat different picture is presented if we look at the fraction in poverty of all families in a given category, such as age of head (Fig. 2). Nineteen percent of families headed by persons under 25 are in poverty. This fraction decreases to 5 percent by age 45-64, but rises to 9 percent of families headed by an elderly person. The youngest families are relatively rare in the population but they have a high level of poverty.

The lower the education of the family head, the higher the fraction of those families in poverty, as shown in Figure 3. At the same time, of all families in poverty (not shown), two-fifths are headed by persons who have less than nine years of education, one-fourth have 9 to 11 years,

Figure 1. Distribution of Poverty Families by Age of Head, 1977

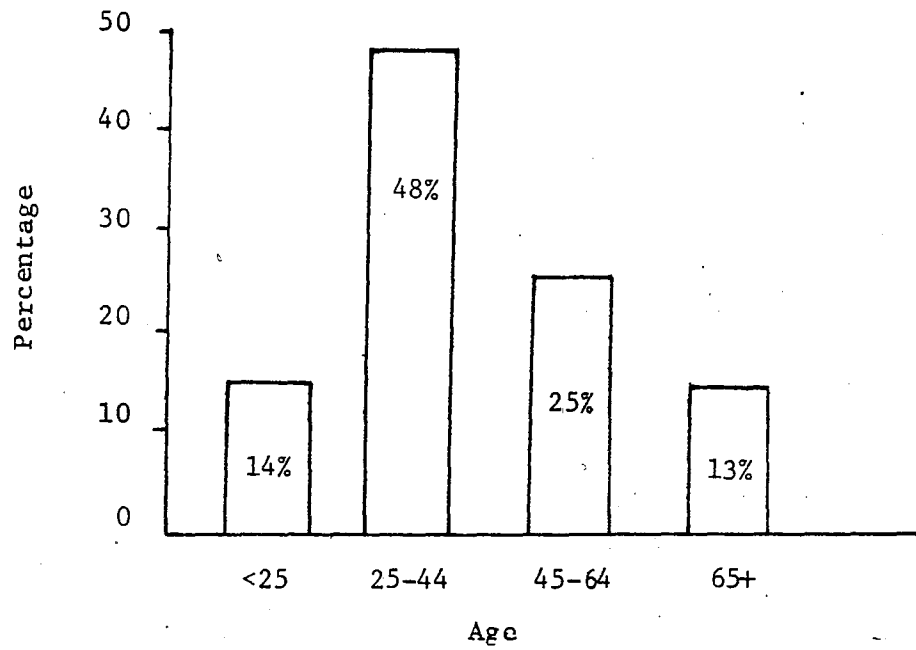


Figure 2. Poverty Rate of Families by Age of Head, 1977

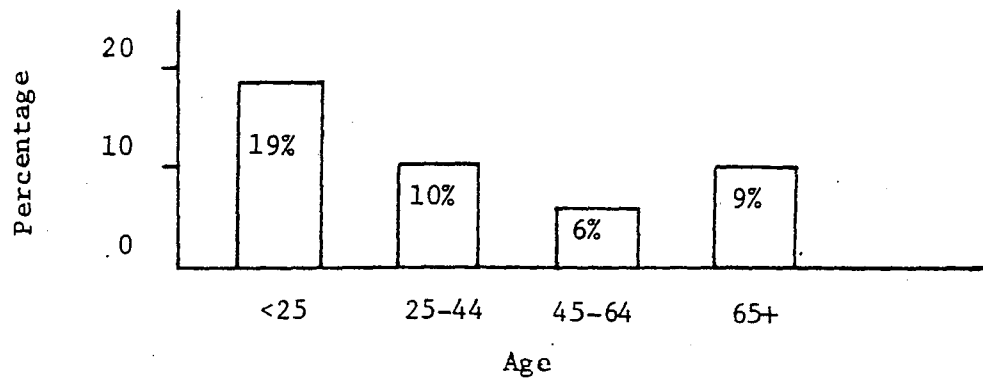
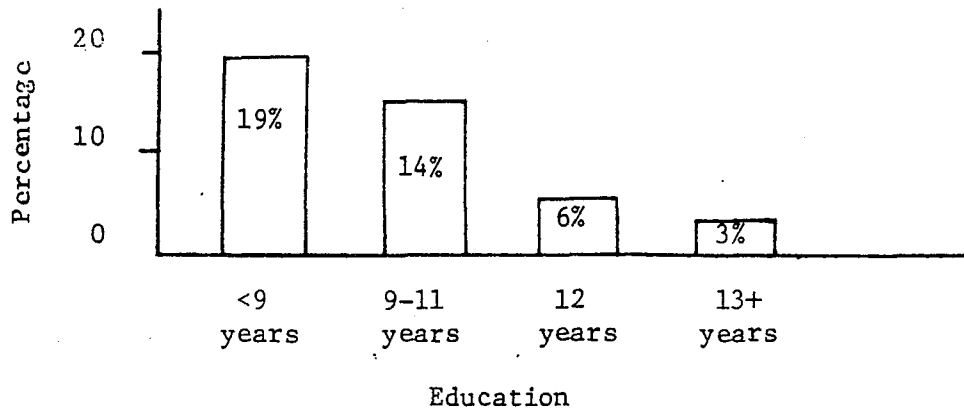


Figure 3. Poverty Rates of Families by Education of Head, 1977



one-fourth are high school graduates, and one-tenth have attended college.

Nine percent of all families, but 32 percent of female-headed families, are in poverty. Of all poor families, 49 percent are headed by women.

Table 1 illustrates that family type, the presence of children, and the age of the head all influence the odds of a family being in poverty.

POVERTY POPULATION DYNAMICS

Figure 4 illustrates some of the ways that the "poverty status" of a family and of the individual members of a family may change.

Persons may enter or leave poverty through changes in their living arrangements and household composition as well as through changes in the earnings of individual household members. It must be emphasized that many of these changes represent normal life-cycle transitions. Changes over time in the proportion of the population in poverty are influenced by trends in such transition probabilities and by the changing age composition of the population. The following discussion is intended as illustrative rather than as exhaustive of these processes.

Economic Factors

One of the major consequences of a demographic perspective is to call attention to the important role of factors other than low wages

Table 1

Percent of Families in Poverty by Age of Head and Family Type: 1970

Family Type	Age of Family Head					
	<25	25-34	35-44	45-54	55-64	65+
<u>Husband-Wife Families</u>						
With no children	8%	2%	3%	3%	6%	18%
With children	13	6	6	6	12	--
<u>Female-Headed Families</u>						
With no children	14	7	10	9	12	20
With children	69	52	40	31	36	--

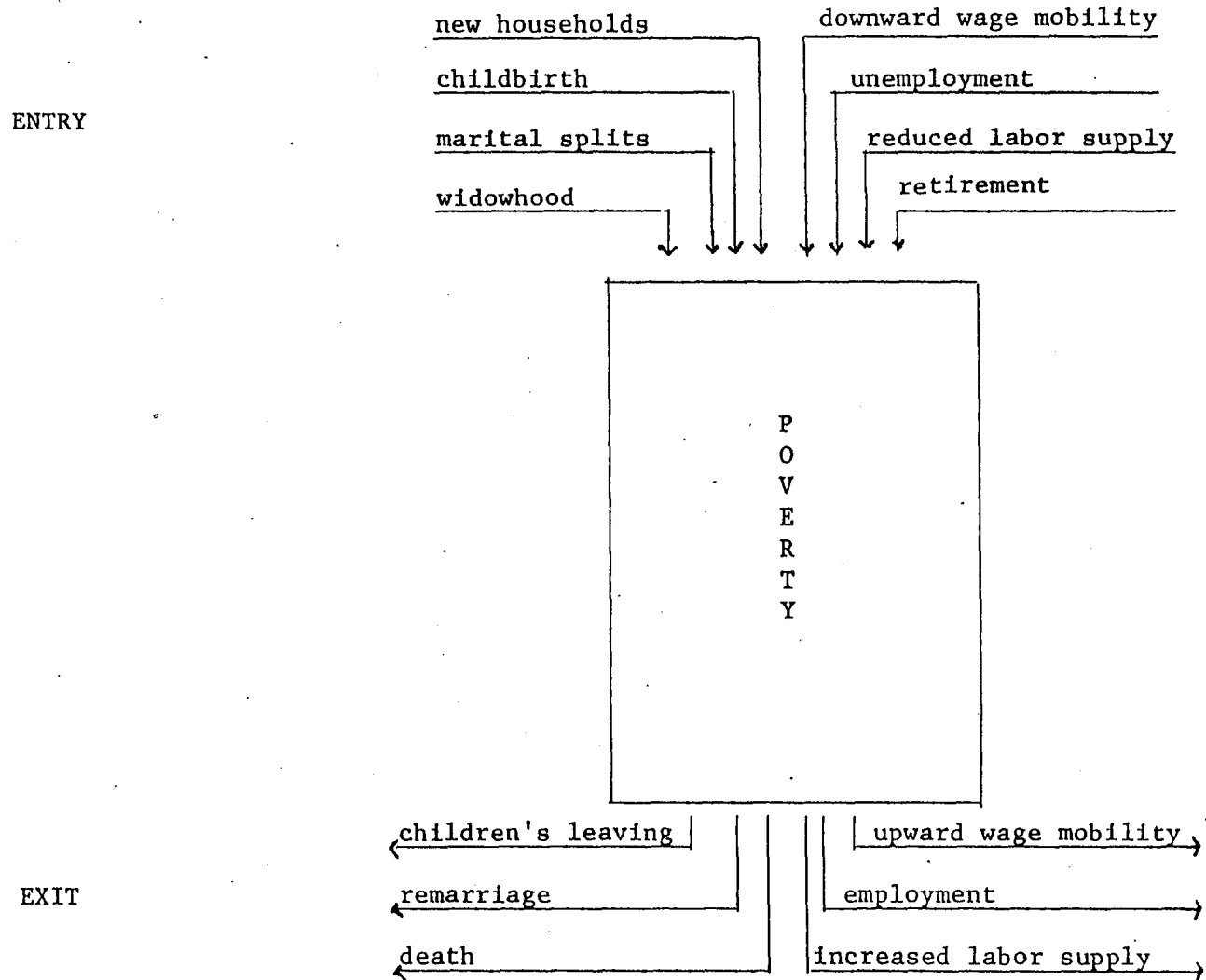
Of all families--11% in poverty

Of all families with children--11% in poverty

Of all families without children--9% in poverty

Source: 1970 U.S. Census.

Figure 4. Transitions Into and Out of Poverty



and unemployment in the experience of poverty. Little elaboration of the wage and unemployment factors seems necessary. It is important, however, to emphasize that for wages and employment, as for other variables, changes are associated with both entry into and exit from poverty and that their consequences need not be a fixed level of economic well-being. Unemployment and downward wage mobility move some persons and families into poverty; the finding of jobs or of higher-paying jobs moves others (or the same persons at a subsequent time) out of poverty.

Fluctuations in labor supply are a considerably more complicated factor. For males in the prime working years there are nontrivial fluctuations associated with "moonlighting" at second jobs as well as reduced work time while attending school or approaching retirement age. In addition, physical disabilities play an important role in affecting labor supply and occupation. In the 1970 Census, about 650,000 heads of families under age 65 in poverty reported a disability of six months duration or longer. Thus, about 15 percent of nonaged heads of families in poverty were disabled in ways affecting work. Two-thirds of these were over 44, and 43 percent were aged 45-54. Many of these disabled people will be permanently unable to work and support their families. Hence, exit from the poverty population would be dependent on changes in family composition, changes in nonearned income, or changes in the earnings of other family members.

Female labor supply is a very complicated area which we can only treat superficially here, but it is important to emphasize the significant

life-cycle component of fluctuations in female employment. Though patterns appear to be changing and increasing proportions of mothers of young children are employed, the employment of women is still heavily dependent on the age of her youngest child. Child care falls disproportionately on women and most people still believe that it is best for a young child if the mother stays home. So for many families near poverty, there may be a considerable dilemma over whether the mother's earnings or home time are most important for the well-being of children.

Withdrawal from the labor force associated with retirement is another especially informative component of entrance into poverty. However voluntary or involuntary, this is regarded as a normal life-cycle stage in our society. The reduced income, concomitant with preferences for separate households, results in poverty for many as a final life-cycle stage. In 1977, 13 percent of all persons in poverty were over the age of 65. The age structure of our population will grow older in the future as a consequence of our low fertility. In the next three decades or so there will be a considerable increase in the aged population as the baby boom cohort reaches retirement age. This will represent an upward pressure on the proportion of the population in poverty, all other things being equal.

Household Formation and Composition

Many young persons enter a period of low household income, and frequently poverty, upon leaving their parental household and establishing their own residence, since this transition often coincides with low-paying

entry-level employment. For many, this is exacerbated by reduced hours of work because of enrollment in higher education. For most, it is a normal life-cycle stage that deviates considerably from future economic expectations; and it is a situation that is chosen over remaining in the parental household. Nonetheless, this process may generate new, if temporary, poverty households. At the same time, some parental households with inadequate income for their family size will move out of the poverty population as their household size is reduced by departure of their children.

At the present time, the economic situation of the young is of particular interest because of the high rate of youth unemployment, and the difficulty that young people now experience in finding jobs commensurate with their education. The unemployment rate of persons under 25 is extremely high. One consequence of these hard economic times for young people may be to slow their departure from the parental household, either by delaying marriage or by delaying the establishment of an independent, nonfamily household.

There are undoubtedly many factors affecting the high level of unemployment and generally unfavorable economic situation of young adults. One important demographic factor which has great significance is the baby boom, following a period of very low fertility during the 1930s, which has resulted in a very large number of persons reaching labor force entry ages during the past decade. This, combined with an ever-increasing proportion of women in the labor force, has meant that there has been

tremendous competition for entry-level positions, and for promotions from such positions. By the 1990s, the size of cohorts reaching the age of labor force entry will be smaller and the labor market should be more favorable for young adults.

The greater the number of children present in the family, the greater is the fraction of families in poverty.

<u>Number of Children</u>	<u>Proportion of Families in Poverty, 1977</u>
0	5%
1-2	10
3-4	18
5+	36

It is tempting to conclude from this that poor people have high and uncontrolled fertility. In fact, there has been a very small differential in fertility by income level, particularly when only the urban population is considered. (The rural population has been one of lower income and higher fertility, giving the spurious appearance of an association between income and fertility.)

Instead, what has been the case is that the poverty status of a family of a given income is determined by the number of children present. It takes more income to provide adequately for the needs of a large family than for a small family. This is what creates the positive association between family size and poverty, not the high and uncontrolled reproductive pattern of low-income couples. Childbirth adds one new person to the poverty population for households already below the poverty line, but for

those marginally above this line, it may result in the reclassification of a whole household. Furthermore, the economic pressures generated by parenthood increase over time through the aging of children as well as through the accumulation of successive births.

The marked reduction in fertility, especially in unplanned fertility, in recent years has undoubtedly reduced the role of this factor. Not only are there fewer large families, but the increased delay of first births until older ages means that more families are likely to be on their feet economically before having another mouth to feed. However, levels of conception among unmarried women continue to be high. Pregnancies that result in marriage are still a significant factor giving rise to early marriage and childbearing. The eventual elimination of premarital pregnancy would result in substantial further delay of the entry into parenthood and reduce the prevalence of poverty. The same would be true of a reduction in illegitimate births.

Similar processes are associated with changes in household size involving the elderly and other relatives. The addition of such persons may pull a marginal household into poverty, and the departure of such persons (through independent household formation, relocation to another kin household, or death) may move other household members out of poverty. At the same time, the increasing tendency for the elderly to maintain their own households represents a net in-flow into the poverty population as a consequence of the relatively low income of the aged and the fact that most of the children's households would not have been placed in poverty by increased household size.

Families Headed by Women

The preceding points illustrate a variety of demographic processes that affect the prevalence of poverty. However, the largest single class of such demographic processes is that composed of factors affecting female-headed families. As noted earlier, nearly half of the families in poverty are headed by women.

Between 1960 and 1975, the number of female-headed families with children under 18 almost doubled, increasing from about 2.5 million to nearly 5 million. The increase was more rapid for nonwhites than for whites (0.7 to 1.7 million for nonwhites and 1.8 to 3.2 million for whites). In 1960, 92 percent of white children lived in families with two parents; in 1973, the proportion had declined to 87 percent. The comparable figures for black children are 75 and 52 percent.

Marital disruption is a major cause of entrance into the poverty population. Three factors give rise to this result: (1) the high level of marital disruption in our society, (2) the preponderant tendency for children in marital disruptions to stay with their mother, and (3) the institutional and cultural patterns that result in much lower incomes for women. Recent rates suggest that perhaps one-half of new marriages will end in divorce or separation. Many marriages are disrupted before children are born, especially in our current low-fertility setting. Nevertheless, over a million children are involved in divorce each year and over a third of all children in our society are likely to have this experience: for most, there is a significant reduction in economic

well-being; for many the result is poverty. Divorce is usually a temporary status that is left upon remarriage (or marriage of never-married mothers). In the early 1970s the average duration of a single-parent family was under five years. However, because of much lower remarriage rates, the experience was longer among blacks. Two points must be emphasized here. The experience of poverty as a consequence of a female-headed household is more prevalent and of much longer duration among blacks. Nevertheless, most single-parent families in poverty are white.

An increase in the number of female-headed families may result from changes at any point in the two processes depicted in Figure 5. Similarly, social policy may have either intended or unintended consequences on any of the links in these chains.

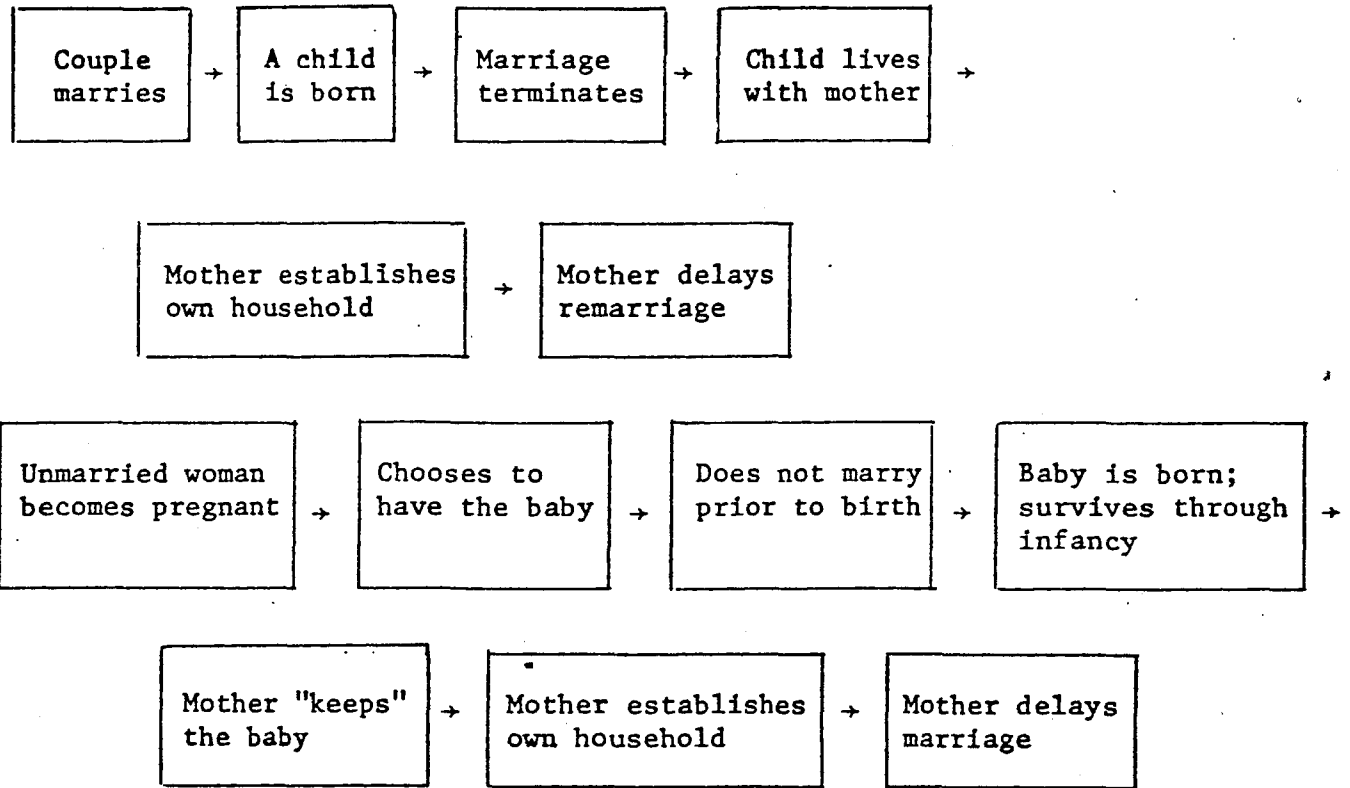
The process by which a female-headed family becomes a part of the poverty population, of course, includes additional steps.

- The woman is unable to earn enough to provide sufficient income to adequately meet the needs of the family.
- The earnings of the mother are not supplemented with sufficient support from the father.
- The financial contribution of the parents is not supplemented by sufficient transfer payments to keep the income above the poverty line.

The purpose of this decomposition of the process into the various steps is fourfold:

- To focus attention on the fact that there are many steps to the process of forming a female-headed family in poverty. Existence of a female-headed family is not equivalent to the termination of a marriage.
- To emphasize that subgroups may differ from one another at any of the various transitions.

Figure 5. Stages in the Formation of Female-Headed Families



- To show that there are flows in both directions--into and out of the impoverished female-headed family population.
- To show that changes over time in any of these various steps can affect the size and composition of the poverty population.

The pattern of the transitions involved in the creation of a female-headed family has been changing. First, rates of marital disruption have been increasing. In 1975, there were over 1 million divorces granted in the United States. A decade earlier there were less than half a million. The "rate" of divorce (divorces per 1000 married women) rose from about 11 to 20 during this decade. Among couples marrying in the 1940s and 1950s, about 15 percent divorced during the first ten years of marriage. Among couples marrying during the late 1960s, that proportion rose to over 25 percent.

Second, among persons whose first marriages end in separation or divorce, the proportion eventually remarrying is very high; and remarriage frequently occurs very soon after the previous marital disruption. At least four-fifths of all women ending a first marriage will eventually remarry. The proportion remarrying has been increasing until recently, and the interval between marriages has probably been decreasing. There is now evidence of a slight decline in the rate of remarriage, but remarriage continues to be almost universal. It has been suggested that the decline in remarriage rates is related to the greater availability of public assistance, but the evidence on this is not yet conclusive.

Third, following the termination of their marriage, most women (except those who are very young) establish households of their own

rather than moving into the households of parents or other relatives. The proportion of those maintaining their own household has been increasing for at least the past two decades.

Although the proportion of all births classified as illegitimate has risen, this rise is due to the rapid decline in the rate and number of "legitimate" births. The rate at which unmarried women have been bearing illegitimate children has also been falling for a decade. The single exception to this generalization is the continued rise in the illegitimate birth rate of white females aged 15-19.

Clearly, there are pervasive societal forces affecting levels of marital dissolution. These include increasing incomes, increasing independence of women, and increasing liberalization of divorce laws. Between 1960 and 1974, in fact, the number of nonpoor female heads with children increased much more rapidly--from 1.0 to 2.6 million--than the number of poor female heads with children--from 1.5 to 2.0 million. Moreover, despite increases in AFDC benefits and participation rates, overall remarriage rates have remained high. At most, the AFDC program may be contributing in a limited degree to a pervasive social trend. To the extent that there may have been a very recent reversal in the remarriage trend, it may be partly attributable to the incentives in the AFDC system.

Some additional observations should be kept in mind regarding the future.

1. In the past, population growth has played an important role in increasing the number of female family heads. Their number is inflated at present because of the large number of persons born during the baby

boom. More recent birth cohorts are smaller, and should lead to a decline in the number of female family heads, and therefore of female family heads with children.

2. Younger women are better educated and have more work experience than their predecessors did at the same age. This should give them an increasingly larger proportion of the skills and experience necessary to be more nearly self-sufficient. Similarly, attitudes regarding work by mothers of young children have changed, and facilities for child care are more widely available (and perhaps more adequate) than previously. In each instance, the effect may be to increase the ability of women to be self-sufficient following marital dissolution.

3. Among couples experiencing marital disruption, the custody of children has traditionally gone to the mother. There is some evidence that a larger proportion of children than before are now living with fathers. This proportion is still small, but it could grow considerably in the future.

4. Continued access to safe, legal abortion services, and continued expansion of sex education programs, family planning services, and the provision of relevant information to sexually active, unmarried persons would likely continue to reduce the rate of pregnancy and childbirth among the unmarried. It would likely also reduce the prevalence of marriages "forced" by pregnancy. The consequences of these "premature" marriages--in terms of interruptions in the education of both parents as well as on their economic lives, health, marital satisfaction, and

general well-being--may also have an impact on the need for public assistance and public services.

5. Birth rates are now very low. They have been very low for the population at large for the past eight years. Rates have fallen most among groups within the population which traditionally have been over-represented within the poverty population. Lower fertility has several potential effects on the size and composition of the population of female-headed families: There should be a decline in the number of children per female family head. Similarly, an increasing fraction of divorcing couples should be childless.

Population Turnover

The Michigan Panel Study on Income Dynamics, which has followed a national sample of families over 14 years, provides evidence on the persistence of poverty over the period 1967-72.¹ Of persons who were living in families below the poverty line in 1967, five years later about 40 percent were living in poverty families and 20 percent were living in families with income more than double the poverty threshold. Eight percent were in poverty families during the entire five-year period. Ten percent were in poverty families for only one year, and were higher

¹Greg Duncan and James Morgan, Five Thousand American Families--Patterns of Economic Progress, Vol. 2, (University of Michigan, Institute for Social Research, 1974). In this work, a different measure of the poverty population is used. The ratio of income to needs (based on family consumption) was computed for each family. The poverty population was defined as those families who, at any given time, were in the bottom fifth of this distribution.

in the income distribution during the remaining years. During this five-year period, a third of the population spent some time in the lowest fifth of the income-needs distribution.

Much of the movement in and out of poverty is associated with changes in family composition. However, even in the absence of changes in family composition there is considerable movement. Of persons in families with no change in composition from 1967-1972, 12 percent were in poverty families at least once, and only 6 percent were in poverty families all of the years.

SUMMARY

This discussion has emphasized a number of transitions that affect stocks and flows with respect to the poor. Many of these processes are reflected in common life-cycle experiences that are experienced at one time or another by large proportions of the population. As a consequence, the experience of serious economic deprivation more broadly, or "poverty" in particular, is much more widespread in the population than its prevalence at any particular point in time. Some persons remain in poverty all of their lives, but for most who experience this status, it is associated with a limited stage in the life cycle, e.g., as a mother or child in marital disruption, or as an elderly person.