

Progress Against Poverty: 1964-1974

Official poverty statistics include as poor only those whose incomes remain below the poverty line even after government cash benefits—social insurance programs, like Social Security, and public assistance programs, like AFDC—have been counted in their income.

In any given year, the economy generates a set of earnings, property income, and private payments from one individual to another (for example, alimony) that together determine how much money different people have before specific government intervention. For the poor, the overwhelming proportion of this income comes from earnings. To be able to assess how effective our economy is at producing minimum decent standards for all—and then to judge how effective government is at filling the holes left by the market mechanism—we need to identify those who are unable to make it over the poverty line by their own effort.

Robert D. Plotnick and Felicity Skidmore have calculated such a measure—which they term pretransfer poverty—for the first time, and charted its progress using data from the OEO Survey of Economic Opportunity and the Current Population Survey. (See Table 1.)

Between 1965 and 1972, the absolute number of households whose earnings could not carry them over the poverty level rose from 15.6 million to 17.6 million. Because the total number of U.S. households increased over the period, this represented a small percentage decrease—from 25.7 percent to 24.8 percent. In 1968, after three years of strong economic growth and falling

unemployment the incidence of household poverty had dropped to almost 23 percent, but over the whole period 1965-1972 the drop was less than one percentage point.

Two major factors influencing earned income are the rate of economic growth and the rate of unemployment. Plotnick and Skidmore found that families headed by working-age women, the elderly, and unrelated individuals were much less responsive to changes in general economic conditions, and families headed by able-bodied men were much more responsive than the overall average.

- A 1 percent increase in average family pretransfer income was associated with a *decline* in poverty of
 - 1.0 percent for all families
 - 2.1 percent for families headed by a white man under 65
 - 3.0 percent for families headed by a black man under 65
 contrasted with
 - 0.3 percent for families headed by a white or black woman under 65
- A 10 percent increase in the national unemployment rate was associated with a poverty *increase* of
 - 2.7 percent for all families
 - 5.8 percent for families headed by white men under 65
 - 3.4 percent for families headed by black men under 65
 as contrasted with
 - 2.3 percent for families headed by white

Table 1 The Poverty Picture—Excluding Government Benefits (Pretransfer Poverty)

	1965		1968		1972	
	number (millions)	percentage of total	number (millions)	percentage of total	number (millions)	percentage of total
1. Poor persons	40.8	21.3	35.8	18.2	39.4	19.2
2. Poor families	9.4	19.5	8.4	16.6	9.6	17.7
3. Poor unrelated individuals	6.2	50.7	6.5	47.3	8.0	47.9
4. Poor households (2) + (3)	15.6	25.7	14.9	23.2	17.6	24.8

women under 65
0.1 percent for families headed by black
women under 65

Overall economic activity, obviously, most affects those who can work. For those who do not work by reason of age, child care responsibilities, disability, or discrimination, a low unemployment rate and healthy economic growth are not enough to ensure minimally decent living standards. For this reason, we must also be concerned with the progress of specific government action to alleviate poverty.

Government Spending on Social Programs

Government, at all levels, spends a substantial part of the taxes it collects on social programs specifically directed toward improving the economic and social well-being of its citizens as individuals. (All government expenditures, of course, affect the well-being of the population in some way, if only through the tax system that has to finance them. Plotnick and Skidmore limited their analysis to social programs with identifiable recipients.) These include expenditures on cash benefits—such as Social Security and public assistance—as well as programs that provide food, housing, manpower training, health, and education.

Clearly, not all these expenditures are explicitly designed for low-income groups. Many are designed to promote the well-being of the population in general. It is not to be expected, therefore, that the proportion going to the poor should ever approach 100 percent.

Much of it does go to the poor, however—much more, in fact, than they receive from programs directly aimed at fighting poverty. It is interesting to find out *how* much, and to see how (or whether) the proportion has changed, and to trace which programs are the most important in money terms. (Table 2 shows the statistical picture of what Plotnick and Skidmore call social welfare expenditures (SWE), for those interested in the detailed figures.)

In 1965, \$75 billion—or 39 percent of all public spending—was spent by all levels of government on social welfare. By 1972 this had climbed in absolute terms to \$185 billion, and as a proportion of all public spending, to 46 percent.

Programs specifically designated as programs for low-income groups accounted for only 12 percent of the 1965 expenditures on social welfare, of which the OEO-initiated programs accounted for less than one-twentieth. By 1972 programs designated as low-income had risen to 18 percent of the total social welfare budget, of which OEO-initiated programs were still a small part—accounting for slightly over one-sixth.

Throughout the period, cash assistance was the largest major category, although as a percentage of total SWE it declined from 49 percent to 43 percent. The next largest throughout was education; its share also declined, but only from 36 percent to 33 percent. The big gainers in proportional terms were goods-and-services (in-kind) benefit programs, mainly because of Medicaid and Medicare and to a lesser degree because of a growth of OEO-related and employment and manpower programs.

Table 2 Total Social Welfare Expenditures (SWE) and Percentage Going to the (Pretransfer) Poor

	1965		1968		1972	
	dollars (billions)	percentage to poor	dollars (billions)	percentage to poor	dollars (billions)	percentage to poor
Total	74.5	42	109.2	40	184.9	43
Cash transfers	36.6	57	45.6	54	80.1	53
Social Security	16.5	62	22.7	58	38.3	58
Public assistance	4.8	89	5.5	81	10.8	87
Nutrition	0.9	37	1.0	39	3.7	70
Food Stamps	0.04	95	0.9	92	1.9	85
Housing	0.3	51	0.4	70	1.8	55
Health	5.7	55	14.1	55	24.6	56
Medicaid			3.3	77	7.5	75
Medicare			4.4	47	7.0	48
Social (and OEO) services	1.4	64	2.6	73	5.3	72
Employment and manpower	0.7	63	2.0	79	3.9	72
Education	27.1	18	40.6	18	62.2	19

How much of all this went to the poor? In absolute terms the amount going to the poor increased from \$31 billion in 1965 to \$79 billion in 1972. And of the amount that went to the poor, a rising fraction has come from programs based on some low-income criterion for eligibility—24 percent in 1965, 35 percent in 1972—also largely attributable to the growth of Medicaid and Medicare, plus public assistance and Food Stamps.

As a fraction of the total SWE, however, the amount going to the poor stayed virtually stable (roughly 42 percent) in both years. This is primarily because education remains such a large component, and (as Table 2 shows) only 18-19 percent of educational expenditures go to the poor.

How Effective Has Antipoverty Policy Been?

Official Poverty Statistics

How effective has antipoverty policy been? In answer to this question, Plotnick and Skidmore first assess progress by the government's official definition. Official statistics and government cash-benefit programs (Social Security, Unemployment Insurance, supplemental benefits, and AFDC, for example) were added to private income sources to arrive at the income definition used to assess poverty status.

By this measure (call it *posttransfer* poverty) there were significant though modest decreases in poverty over the period (as can be seen from Table 3). Before cash transfers were counted, the proportion of (pretransfer) poor households declined only very slightly (from 25.7 percent in 1965 to 24.8 percent in 1972). Addition of government cash benefits decreased the 1965 figure by nine percentage points and the 1972 figure by eleven percentage points. Thus, in 1965, 10-1/2 million American households were (posttransfer) poor, constituting 17 percent of the total; by 1972 this had dropped to 10 million, or 14 percent of the total.

Contrasting this with the previous poverty measure, we can see how much progress against poverty government was able to make through its cash benefit (cash transfer) programs.

As this overall progress took place, the composition of those in poverty changed. Compared to 1965, the 1972 posttransfer poor more often lived in female-headed households and in households with young heads. Heads of posttransfer poor households in 1972 were also more likely than their 1965 counterparts to have a high school or college education and less likely to have held any job during the year.

Looking at the effect of the cash system on the poverty status of various groups, Plotnick and Skidmore show how this change came about. In 1965, 33 percent of all pretransfer poor households were taken out of poverty by cash

Regular Poverty "Audits" Planned

Progress Against Poverty: Review of the 1964-1974 Decade. Robert D. Plotnick and Felicity Skidmore. Institute for Research on Poverty, Poverty Policy Analysis Series no. 1. New York: Academic Press, 1975.

In 1964 the War on Poverty was declared. A regular report on the state of that war would seem reasonable. The Institute for Research on Poverty has, therefore, decided to sponsor such a series.

Every two years the Institute plans to publish a comprehensive report on how U.S. poverty is changing—not only with respect to whether it is getting better or worse, but also with respect to which kinds of people are poor. Each report will also discuss antipoverty issues that, at the time of its preparation, are in the forefront of policy or research debate. The first such report has just been published.

Progress Against Poverty: A Review of the 1964-1974 Decade, as befits the first in the series, analyzes the whole of the period since the Office of Economic Opportunity was established and the war declared. The book begins with an historical overview of domestic social policy developments, to put the story told by the statistical analysis into a policy framework. The major part of the book is devoted to a detailed statistical description of how government expenditures on the poor have changed, and how the poverty population has changed in size and characteristics in consequence. The last chapter discusses certain issues on the social agenda.

transfers. By 1972, this figure had risen by 44 percent. *But*, the relative generosity of the cash benefit system varied widely across various population groups.

The elderly were heavily favored throughout the period; female-headed families, although starting out relatively well, made minimal progress:

Percentage Taken Out of Poverty by Government Cash Benefits

Households headed by:	1965	1972
Aged	51	63
Non-aged men with children	11	23
Non-aged persons, no children	19	26
Non-aged women with children	22	23

Table 3 The Poverty Picture—Including Government Benefits (Postransfer Poverty)

	1965		1968		1972	
	number (millions)	percentage of total	number (millions)	percentage of total	number (millions)	percentage of total
1. Poor persons	29.9	15.6	25.1	12.8	24.5	11.9
2. Poor families	6.0	12.4	5.1	10.0	5.1	9.3
3. Poor unrelated individuals	4.5	36.7	5.0	32.8	4.9	29.2
4. Poor households (2) + (3)	10.5	17.3	10.1	15.7	10.0	14.1

Other Poverty Definitions

To put these figures into a wider perspective, Plotnick and Skidmore show two other measures of poverty progress:

- A *relative measure*, designed to show how the fortunes of the low-income population are moving in comparison to the "typical U.S. standard of living." This gives a more pessimistic measure of progress than the official statistics.
- A *cash plus in-kind measure*, designed to take into account, in addition to cash income, income received in goods and service benefits from government (Food Stamps, public housing, Medicare, and Medicaid). This gives a more optimistic picture of progress than the official definition.

In 1965, government cash programs took 33 percent of households out of poverty as officially measured. The official poverty line in 1965 happened to represent 44 of the U.S. median income, and this 44 percent, therefore, was used by Plotnick and Skidmore to represent a benchmark against which to measure relative progress against poverty. In 1972, cash transfers raised 44 percent of households out of officially measured poverty, but only 34 percent over the relative poverty line (that is, over 44 percent of the U.S. median).

Cash plus in-kind transfers, in contrast, lifted about 50 percent of households over the official poverty line in 1965 and 72 percent in 1972.

Major Changes in the Poverty Picture Since 1964

1. A larger percentage of persons than ten years ago live in families where earnings and other private income are unable to lift them out of poverty.

2. Government social welfare expenditures — including expenditure on cash, goods, and service benefit programs—have grown enormously in the last decade. Because of it the proportion of the population living in poverty despite government aid has been reduced.
3. Programs providing cash constitute a steadily declining proportion of the benefits going to the poor.
4. Benefit programs providing goods and services to the poor (mainly food and medical care) have grown substantially, both in absolute terms and as a proportion of the total benefit package.
5. This renders the government's own poverty definition, which counts only cash income, an increasingly inappropriate tool to measure progress against poverty.
6. Families headed by an able-bodied man have done proportionally least well out of the growth in government cash benefit programs. The proportion lifted out of poverty by cash benefits, unlike the aged or female-headed households, did not grow at all between 1965 and 1972, and has probably not increased much since.
7. Finally, the distribution of income not including government benefits has worsened. The poor are further away from being able to support themselves at typical American living standards than they were in 1965. The growth of government benefits over the period served to compensate for this, but did not reverse the trend.