Transcript for July 2013 podcast "The Wisconsin Poverty Report and How We Think about Measuring Poverty"

Featuring Timothy Smeeding, director of the Institute for Research on Poverty. Hosted by David Chancellor.

[Chancellor] You're listening to a podcast from the Institute for Research on Poverty at the University of Wisconsin-Madison.

Each year, the U.S. Census Bureau releases an "official poverty" rate. This "official rate" has been in use since around the time of the start of the "War on Poverty" in 1964. The way it's calculated hasn't changed much since then so it's useful in that it provides us with a consistent point of reference. However, from early on, scholars, officials, and others have pointed out shortcomings of the official measure and called for alternatives.

Given the challenge of producing a more realistic way to define poverty, researchers at IRP developed the Wisconsin Poverty Measure. The measure tells us about poverty in Wisconsin, but it also gives us an example of how the way we define poverty can have an effect on our understanding of who is poor. The Wisconsin Poverty Report, which uses the Wisconsin Poverty Measure, was authored this year by Tim Smeeding, director of IRP, Julia Isaacs, a senior fellow at the Urban Institute and IRP visiting scholar, and Katie Thornton, a programmer analyst at IRP. I spoke to Professor Smeeding to learn more about the Measure, what it tells us about poverty in Wisconsin, and how these lessons can serve as a model for poverty measurement projects around the country.

[Smeeding] Hi, I'm Tim Smeeding and I'm the director of the Institute for Research on Poverty. When I arrived here in 2008, it became clear that the poverty rates we were looking at for Wisconsin were far from reality. They did not include the major programs we have to fight poverty including refundable tax credits and food stamps and public housing. They didn't take account of the costs of going to work—for instance childcare and transportation and they didn't take account of out-of-pocket medical expenses which the poor can't really afford much of because they have to pay for food, clothing, and shelter and that's about all the money they've got.

[Chancellor] The Wisconsin Poverty Measure picks up a lot of detail that the official federal poverty measure doesn't account for. Although the two measures have relatively similar poverty lines— that would be a dollar amount, below which a person or household is considered to be poor—they arrive at those numbers in very different ways. As Smeeding indicated, a key difference is that the Wisconsin measure incorporates the major poverty-fighting programs, better accounts for basic needs like food, clothing, shelter, transportation, medical care, and so on, and uses a family definition that accounts for unmarried parents and nonbiological kids in the household.

Because they are more realistic, alternative measures like the Wisconsin Poverty Measure give us a better idea of who is poor. And, they help us to understand the combined effect of social safety net programs on vulnerable individuals and families.

And, besides showing who is poor, Smeeding and his colleagues use data that lets us see *where* people are poor in the state.

[Smeeding] Our measure is built on the American Community Survey which has a sample of over 25,000 people in Wisconsin itself. This allows us to probe into depth in larger places. For instance, we can look at five subregions of 100,000 people or more within Milwaukee County and it allows us to look within Brown County to isolate Green Bay to look within Dane County to isolate Madison. But, when you get up to the Superior area, you have to bundle 7, 8, 9, 10 counties together because the population density is just really low. But, the point is it gives you not only an overall state picture, but it tells you about groups within the state—elderly, children, adults, and it also allows you to bore down into some of the larger areas to get a handle on how poverty rates differ within small regions in Wisconsin

[Chancellor] Since developing the measure, Smeeding and his colleagues have issued a series of reports reflecting Wisconsin poverty rates. The most recent report, published in June of 2013, finds that overall poverty in Wisconsin went from 10.3 percent in 2010 to 10.7 percent in 2011—a modest increase that can mostly be attributed to changes in safety net programs. And, even though the Wisconsin Poverty Measure uses a higher poverty line than the official federal measure--a bit over $24,000 for a family of four compared to a bit under $23,000 under the official measure--it returned a lower poverty rate in Wisconsin for 2011.

[Smeeding] It's about three points lower than the official poverty rate and it moves a little bit differently. So, we look at, for instance, the first concept we look at is market income poverty—that means 'how does the performance of the labor market, private pensions, returns on investments, compare to the current poverty line?' And that's been going up since the Great Recession began and it went up again from 2010 to 2011. Then we take a look at the official poverty rate which includes cash benefits and cash benefits only and it's below the market income poverty rate but it's essentially flat.

The Wisconsin rate, however, differs somewhat. So, in 2010, the poverty rate actually fell below where it was in 2009 because we did such a great job in the state in getting eligible people to receive food stamps, SNAP benefits, also called Food Share here, and refundable tax credits.

[Chancellor] Smeeding says that for 2011, safety net programs like these still kept a lot of people out of poverty, but just a little less so than in 2010.

[Smeeding] But now, as we move from 2010 to 2011, poverty has nudged up a bit. And, you can see where it's nudged up almost exclusively because of the change in refundable tax credits—both the federal making work pay tax cut, it disappeared and in its stead was put the federal payroll tax credit of 2 percent, so if you take away a 6 percent credit, which was the Making Work Pay, and replace it with a 2 percent credit, you lose 4 percent of tax credit and this made the biggest difference in poverty rates we find in Wisconsin. So, it can tied to policy which cut both the state EITC and changed the federal credits and if we end up with more cuts because of sequestration this year and because of layoffs in government jobs and things like that that have been happening, we're going to end up with more poverty in Wisconsin next year.

[Chancellor] These changes in refundable tax credits were part of the story behind a noticeable jump in child poverty under the Wisconsin Poverty Measure.

[Smeeding] Poverty for children was 12% in 2009. It fell to 10.8% in 2010, but it's back up to 12.2 this year and it is children and families who primarily benefit from these tax credits. We've done a good job still with SNAP. The tax credits still make a big difference in poverty in Wisconsin but not quite as big a difference as it made the year before. So, this is just what others are noticing, that as we cut back on benefits and w/o an improvement in the job market, somebody is going to get hurt and it's low income people and you can see it in these poverty rates. And that's worth people in Wisconsin knowing.

[Chancellor] Although the Wisconsin Measure shows overall poverty edging upwards and child poverty making a significant increase between 2010 and 2011, it actually records a drop in poverty for the elderly between 2010 and 2011 from 9.8 percent to 8.6 percent, but even with overall poverty among the elderly falling, out of pocket medical expenses are a big threat for older people.

[Smeeding] According to the official government poverty reports, the elderly tend to do better than everyone else. Their poverty rate is under 8 percent and it's been falling for the last four years according to the official rate, primarily because of Social Security, which is a cash income program that helps. But when you look at noncash programs—and particularly when you take account of out of pocket medical expenses, that is going to

push elderly poverty up. So, the Wisconsin Poverty Measure poverty rate is about 2 points above the federal measure but what's happened in the last four years, because of BadgerCare and other related healthcare costs in Wisconsin have risen more slowly than average, the bite of extra out of pocket healthcare expenses is smaller in Wisconsin than it is in other places. So, the elderly continue to do better—a little worse than the Census Bureau says, but you're looking at 8 to 9 percent poverty for the elderly in Wisconsin and 12 to 13 percent poverty for children using the correct, I think, the more informative Wisconsin Poverty Measure.

[Chancellor] The good news here is that the Wisconsin Measure shows that we're doing a bit better than the official government figures say we are. Smeeding says programs that reduce childcare costs, hold down health care costs, feed people, and give them refundable tax credits really do help. And measures like the Wisconsin Measure should be useful to policymakers and people who want to understand how programs like these make a difference and how poverty is changing in localized areas.

[Smeeding] For instance, in this year's report, we always show that Milwaukee, Central City Milwaukee, has the highest poverty rate and the poverty rate in Central City Milwaukee is usually five times the poverty rate in the Milwaukee suburbs in areas like Cedarburg or Whitefish Bay which are much richer than the central city. This year, however, the biggest increase we saw was in Rock County in Janesville where the Great Recession has finally come home to roost—poverty there grew by five percentage points between 2010 and 2011—which is a big jump. And my guess is that it stayed up pretty well since then although lags in the access to the data have slowed our understanding or our ability to publish this report until just now.

[Chancellor] The report's key finding and the answer to the question, 'Is the safety net still working in Wisconsin?' is "yes". Smeeding says the social safety net provided a buffer against poverty in Wisconsin in 2011 though a bit less so than in 2010.

[Smeeding] What we all hope is that that market income poverty rate—the poverty rate based on earnings and jobs primarily, gets better. That means that the recovery has fully caught on in Wisconsin, it means that jobs are growing rapidly, and it means that people who are otherwise poor will be getting these jobs. And what that does—that's the way we really want poverty to fall—the way we did in the late 1990s in Wisconsin and elsewhere—we want—a good job is the answer to poverty—not an income support program. But, in the interim, the income support programs we have here in Wisconsin do a good job at ameliorating the fall in income due to the recession.

[Chancellor] The goal for the Wisconsin Poverty Report is not just to help us better understand who is poor in Wisconsin, but to provide a template for researchers around the country to develop their own place-specific poverty measures that accurately reflect costs of living and that take into account safety net programs designed to fight poverty. More information on these findings and the technical details behind the reports can be found at irp.wisc.edu.

Thanks for listening to a podcast on the Wisconsin Poverty Report from the Institute for Research on Poverty.