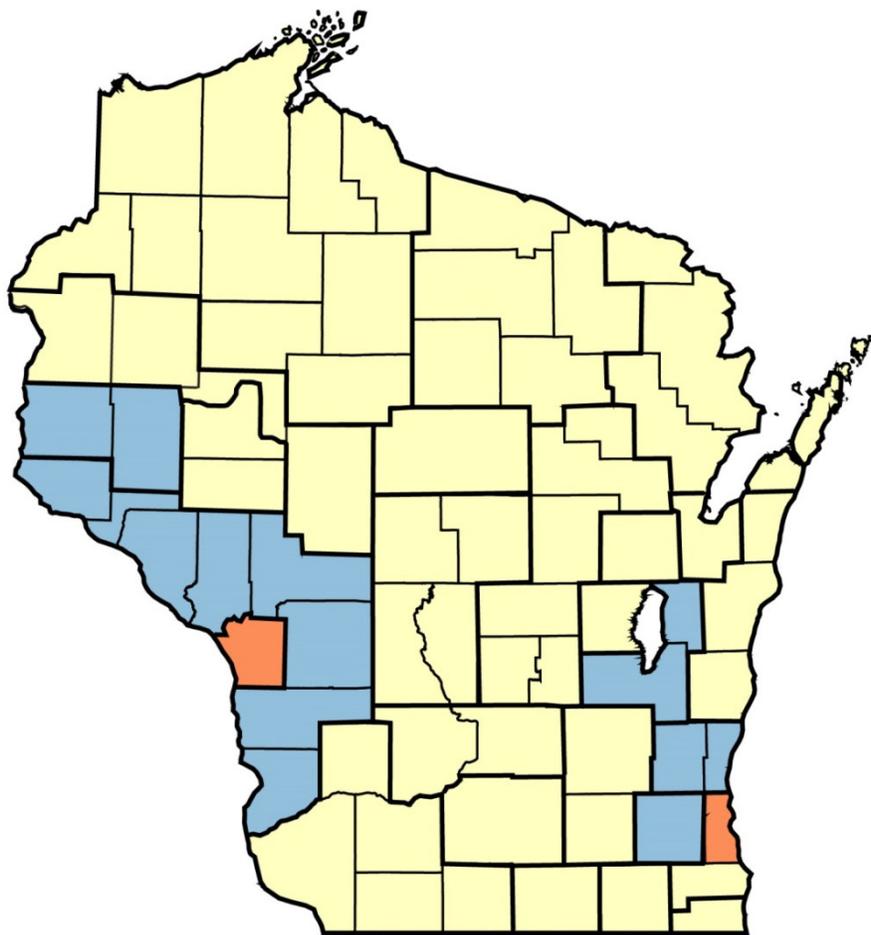


Wisconsin Poverty Report: Poverty Rises in 2013 Despite Growth in Jobs

The Seventh 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 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 seventh—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.

ACKNOWLEDGMENTS

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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.

DISCLAIMER

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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>.

¹See S. Ruggles, J. T. Alexander, K. Genadek, R. Goeken, M. B. Schroeder, and M. Sobek, *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database], Minneapolis: University of Minnesota, 2010.

COVER MAP KEY: Map depicts 2013 poverty rates using the Wisconsin Poverty Measure. Areas below the state average of 10.9 percent are blue, light yellow areas have no statistically significant difference from 10.9 percent, and orange areas are higher than 10.9 percent. See page 15 for further details.

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EXECUTIVE SUMMARY

Our key finding is that while employment is modestly rising in Wisconsin, there was no reduction in poverty. In fact, poverty rates in Wisconsin actually rose between 2012 and 2013 under both the official poverty measure and the Wisconsin Poverty Measure (WPM). We find that state poverty rose between 2012 and 2013, from 10.2 to 10.9 percent, under the WPM, which takes into account resources from tax credits and noncash benefits as well as earnings; the WPM remains about 2.5 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, other changes offset a good deal of these positive effects. Trends that decreased resources include a return of the payroll tax to pre-recession levels, increasing health care costs (especially for the elderly), 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 level off or even shrink, both because of the weak recovery and because of changes in payroll taxes, medical expenses, and work-related expenses. This has left the longer-term WPM poverty measure more or less unchanged from 2009 to 2013. 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 surprising increase in elder poverty. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee and La Crosse, but with several other substate areas doing much better than the rest of Wisconsin.

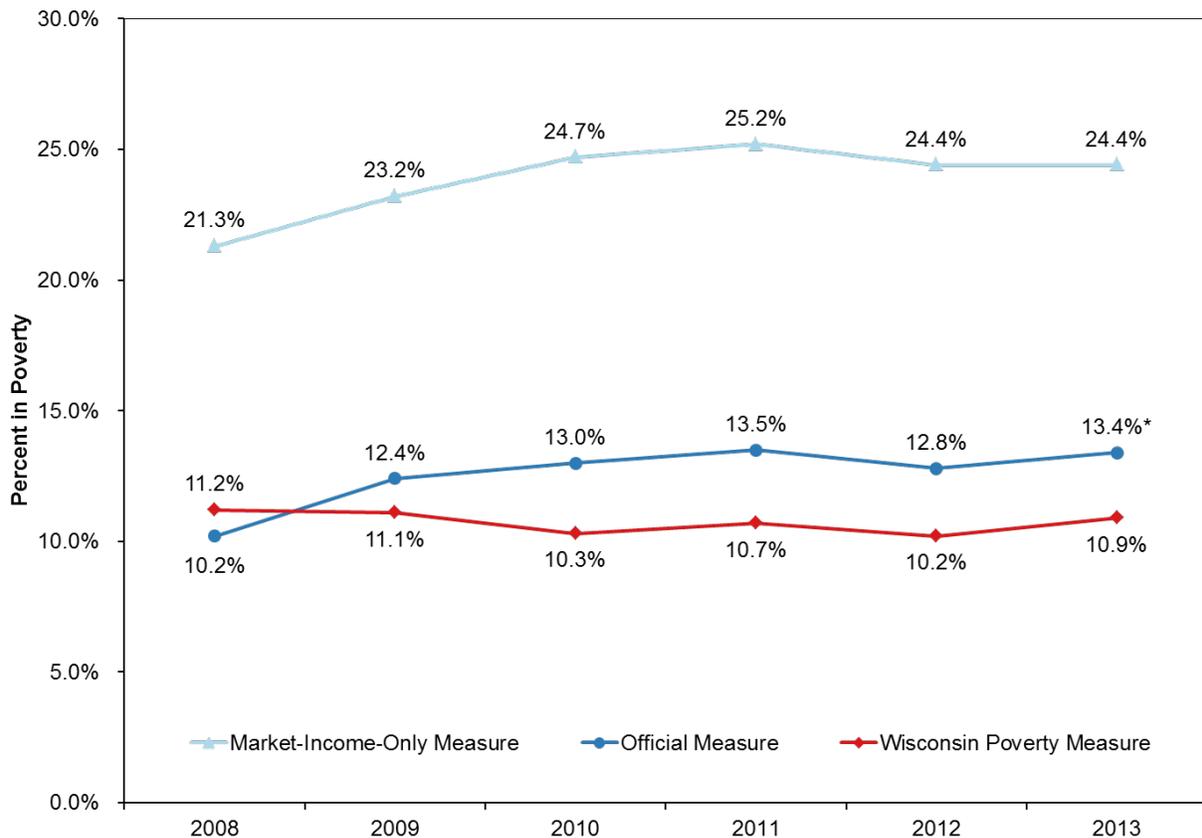
Because we believe that the long-term solution to poverty for the non-elderly is a secure job that pays well, not an indefinite income support program, it is troubling that the labor market rebound has not led to reductions in poverty in 2013 the way it did in 2012. It is a reminder of the importance 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 policies on poverty, it is important to use appropriate poverty measures. We now have six years of data analyzing poverty according to the Wisconsin Poverty Measure (WPM), a measure that researchers at the Institute for Research on Poverty (IRP) at the University of Wisconsin–Madison have developed to better reflect a comprehensive set of needs and resources in Wisconsin. 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 recovers. Over this period, employment fell sharply in the state, with employment levels by the end of 2013 still lower than they were before the recession began. 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 2013, 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, 2008–2013



Source: IRP tabulations using 2008–2013 American Community Survey data.

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 2012 and 2013 was statistically significant for the official poverty measure.

Under the market-income measure, which is based on private sources of income (mainly earnings, but also investment income and private pensions), we see that overall poverty rates increased during the recession, peaking in 2011, dropping in 2012, and remaining unchanged between 2012 and 2013. This is consistent with a slow employment recovery in Wisconsin (as summarized below and shown in Figure 2).

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 are similar to those shown by the market-income measure between 2008 and 2012, but in 2013, market-income poverty stayed flat while official poverty rose from 12.8 to 13.4 percent, a statistically significant increase.

The overall poverty rate as calculated by the WPM fell between 2008 and 2010, even as the cash-based measures were going up. 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. Since 2010, the WPM has wobbled up and down, with poverty falling as low as 10.2 percent in 2012, and most recently, increasing to 10.9 percent in 2013, a statistically significant increase. We are not completely certain what is driving these 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.¹ Moreover, the recovery in Wisconsin remains fragile.

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 2013, 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 2013, and trends for the 2008 to 2013 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.

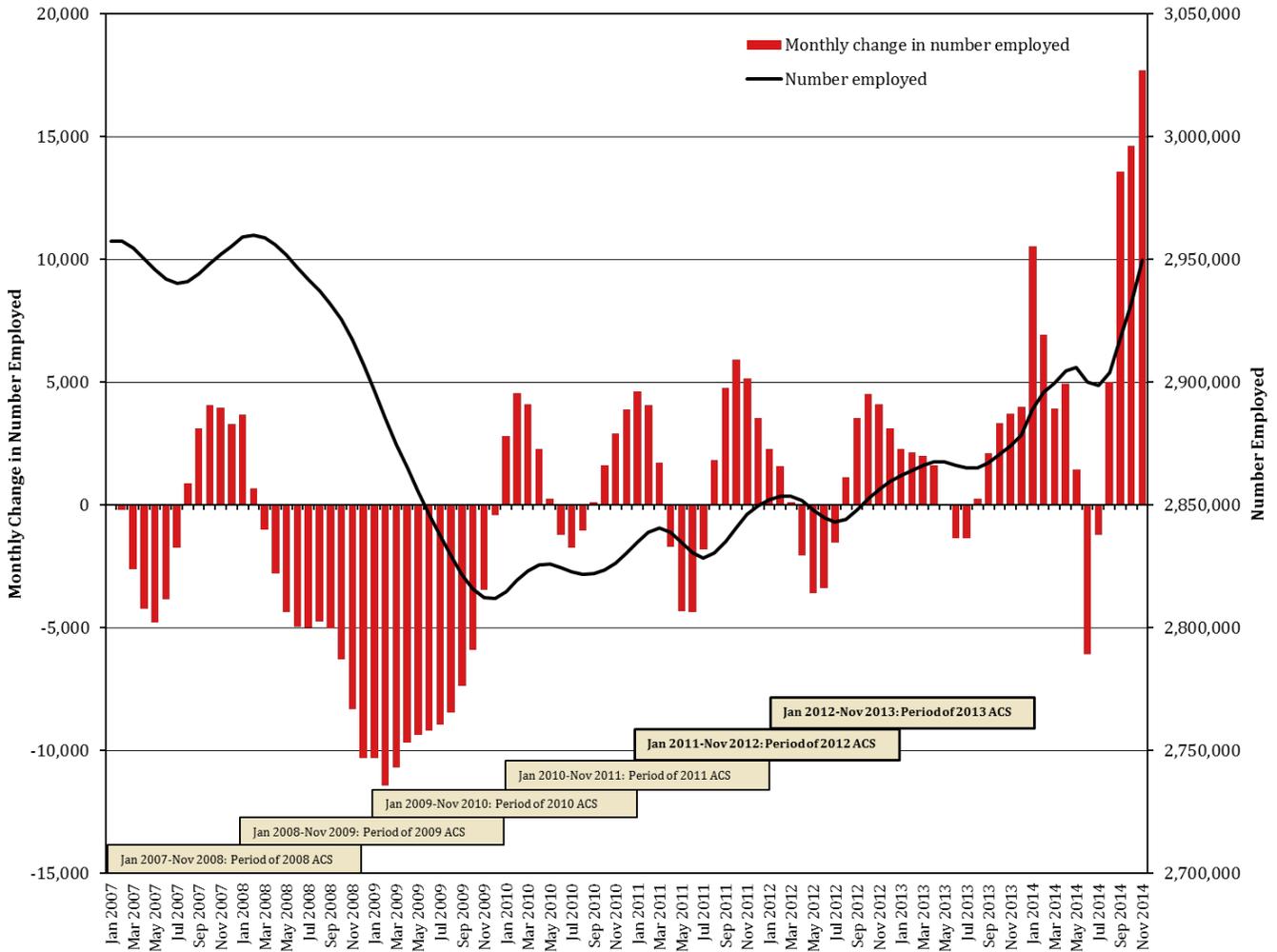
WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

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 2013 (see Figure 2 below and note that job gains in both 2012 and 2013 affected the 2013 poverty rate). By the end of 2013 (the period through which we measure poverty in this

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.

report), about two-thirds of the jobs lost during the Great Recession had been added back. Despite an increase in jobs during 2012 and 2013, there was no change in market income poverty between 2012 and 2013. Many of the new jobs created in Wisconsin are 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 And employment levels in November 2013 (when the income and program data covered in this report end) were still 85,000 below the early 2008 pre-recession peak.³

Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2014



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

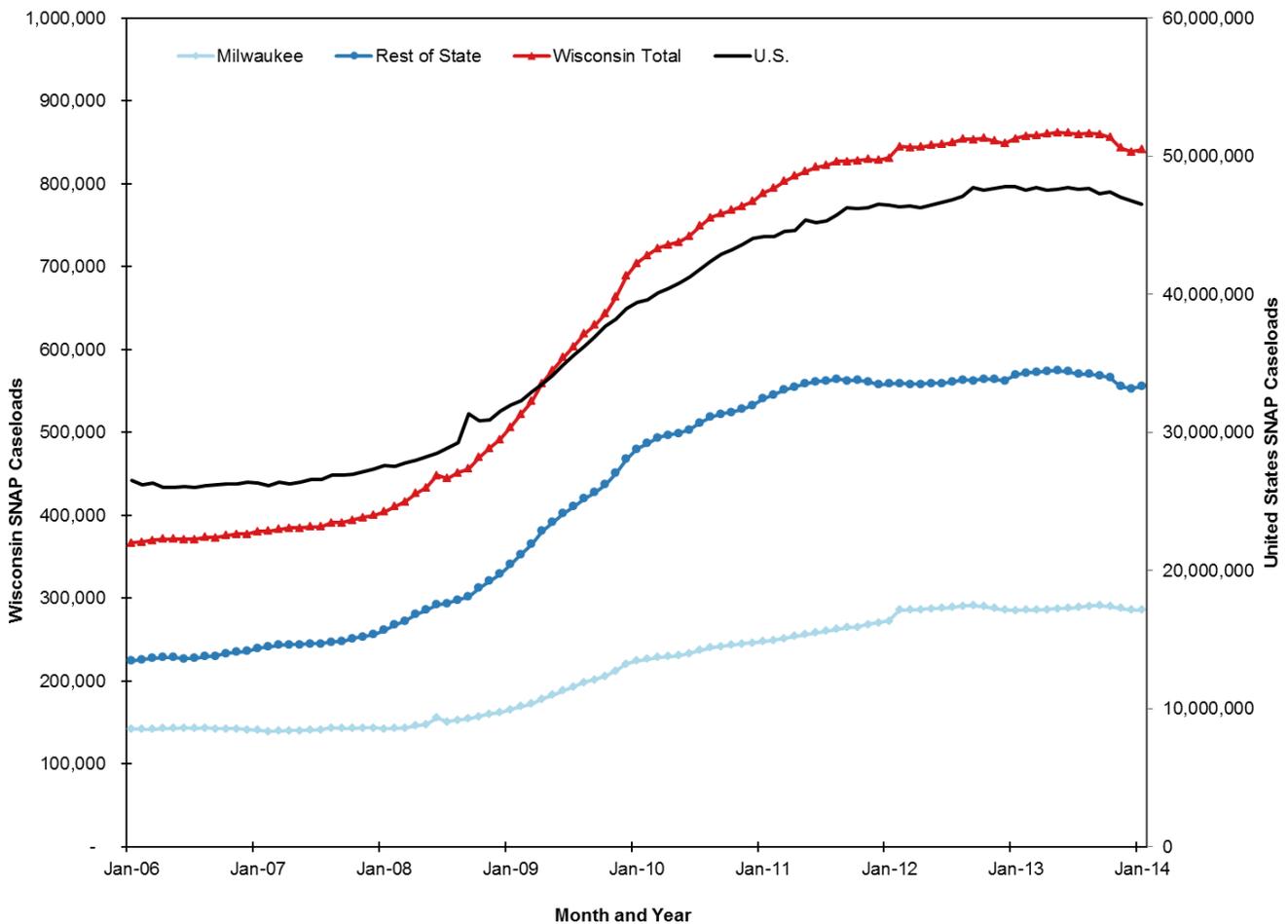
Notes: The 2013 poverty rate is based on economic conditions from January 2012 through November 2013, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, data span a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

²M. V. Levine, “Is Wisconsin Becoming a Low-Wage Economy? Employment Growth in Low, Middle, and High Wage Occupations: 2000–2013,” Center for Economic Development Data Brief, University of Wisconsin–Milwaukee, October 2014.

³Employment in November 2014, whose effects will be shown in next year’s report, was 75,000 more jobs than in November 2013, but the state is just short of the February 2008 peak of 2.96 million jobs. With the additional increase of jobs in 2014, it will be interesting to see in next year’s report whether poverty is reduced.

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 2012 (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. Over the past two years, the SNAP caseload has remained fairly flat, growing only 1 percent in Wisconsin between January 2012 and November 2013, the time period covered by the 2013 ACS. In the last few months of 2013, SNAP caseloads have been falling slightly, which may be partly due to the recovering economy, but also may reflect 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 will be seen in next year's report.

Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2014



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.

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.⁴

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.⁵

METHODS AND DATA FOR MEASURING POVERTY UNDER THE WPM

We use an analytical approach largely 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 2012 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.⁶

We examine poverty in 28 areas in Wisconsin, including 13 large (more densely populated) counties and 15 multicounty areas that encompass relatively small (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

⁴In November 2011, the Census Bureau released the first results from the new SPM in K. Short, "The Research Supplemental Poverty Measure 2010: Consumer Income," U.S. Census Bureau, *Current Population Reports* P60-241, Washington, DC: U.S. Government Printing Office. Available online at <http://www.census.gov/prod/2011pubs/p60-241.pdf>. Subsequent reports using the same measure for 2012 and 2013 were released in 2013 and 2014, and are available online at <http://www.census.gov/prod/2013pubs/p60-247.pdf> and <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-251.pdf>.

⁵For more about the Wisconsin Idea and the history of the Wisconsin Poverty Report, see T. M. Smeeding and J. Y. Marks, "The 'Wisconsin Idea' and Antipoverty Innovation," *Pathways: A Magazine on Poverty, Inequality, and Social Policy*, Summer 2011, 18–21, at http://www.stanford.edu/group/scspi/_media/pdf/pathways/summer_2011/PathwaysSummer11_SmeedingMarks.pdf.

⁶Differences in surveys and poverty measures for the United States and Wisconsin can be found in D. S. Johnson and T. M. Smeeding, "A Consumer's Guide to Interpreting Various U.S. Poverty Measures," *Fast Focus* 14, Institute for Research on Poverty, Madison, WI, May 2012, at <http://www.irp.wisc.edu/publications/fastfocus/pdfs/FF14-2012.pdf>.

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 (and the universe of people included in those units), 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 0.1 percentage points, but by a 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 tax credits 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 Earned Income Tax Credit (EITC), in addition to the federal EITC.

To consider need, our poverty thresholds are constructed based on food, clothing, shelter, and other expenses, which are set at roughly the 33rd percentile of national consumption 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 Bureau. In 2013, the national threshold was \$27,047.⁷ Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2013 was \$24,406, about \$285 more than in 2012. 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 2013 was \$23,624.

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 (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 or not a family—and individuals belonging to the family unit—could be considered poor, we compared their comprehensive measure of resources to the relevant threshold or measure of need.

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.

⁷The Census Bureau has calculated four different versions of the NAS-based thresholds for 1999–2012, which can be found at <http://www.census.gov/hhes/povmeas/data/nas/tables/2013/index.html>. For the Wisconsin Poverty Measure, we used the version that included medical expenses and the repayment of mortgage principal for owned housing.

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.

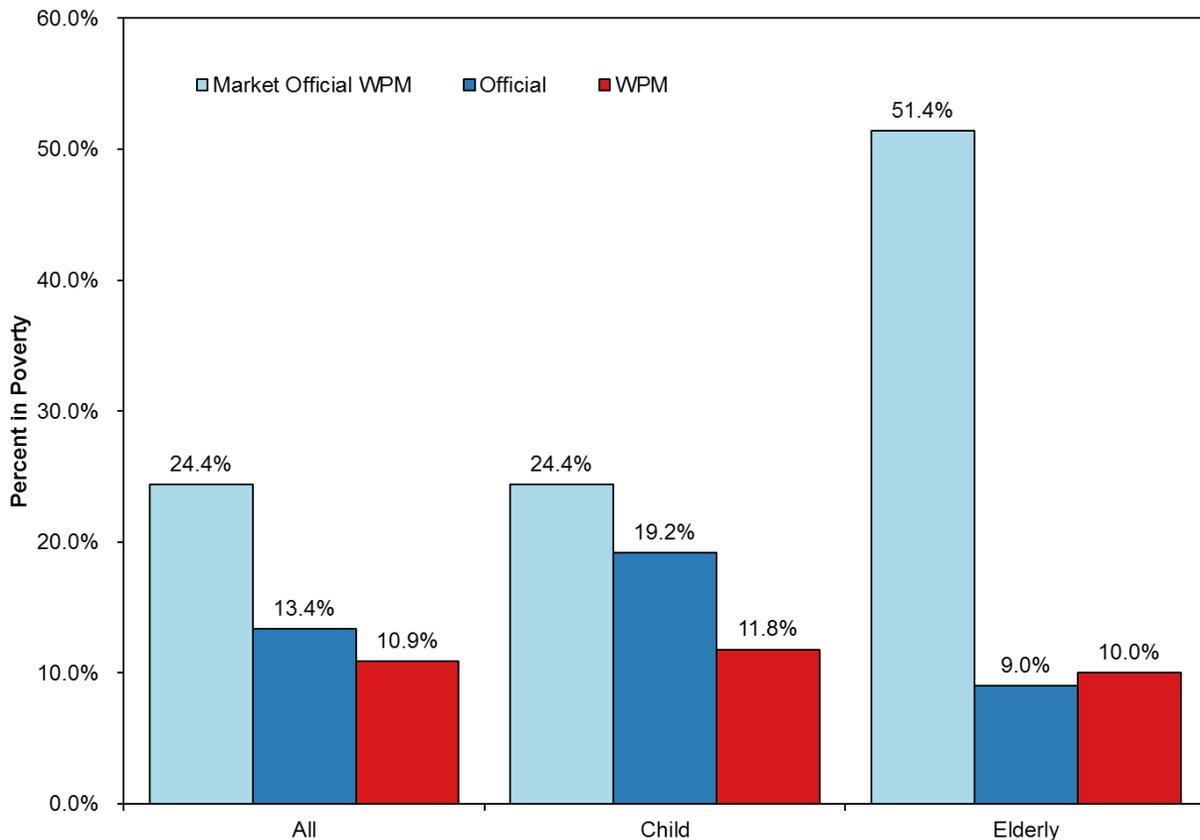
In the next section, we report our results, looking first at data for 2013. We look at poverty overall, and then turn to an examination of poverty for two vulnerable groups (children and the elderly). We then turn to poverty trends during the period from 2008 through 2013.

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

Wisconsin Poverty in 2013

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, 24.4 percent of the state population as a whole and the same percentage of children living in families is poor, with more than half (51.4 percent) of the elderly considered poor. These are the three tallest bars in each segment of Figure 4 below.

Figure 4. Poverty in Wisconsin in 2013 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2013 American Community Survey data.

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 above.

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 9.0 percent mainly due to cash benefits

under the Social Security program. 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 19.2 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, and was 13.4 percent in 2013.

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 10.0 percent for the elderly. Overall poverty is between these at 10.9 percent. The primary reasons that child poverty was lower under the WPM than in official statistics is that families with children 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 it is according to official measures, mainly because these individuals have out-of-pocket medical expenses that exceed their noncash benefits, which are not considered by the official measure.

Trends in Wisconsin Poverty, 2008 to 2013

As already shown in Figure 1, poverty under the WPM was higher in 2013 than in 2012, with a fairly similar increase in the official measure (and no change in the market-income measure).⁸ Specifically, in this seventh annual *Wisconsin Poverty Report*, we find that, according to the WPM, poverty rose from 10.2 to 10.9 percent between 2012 and 2013, bringing the WPM back to about the same rate as in 2011 and 2009. 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 appears to have muted the decline in Wisconsin poverty, leaving the state with an uncertain plateau in poverty as of this report.

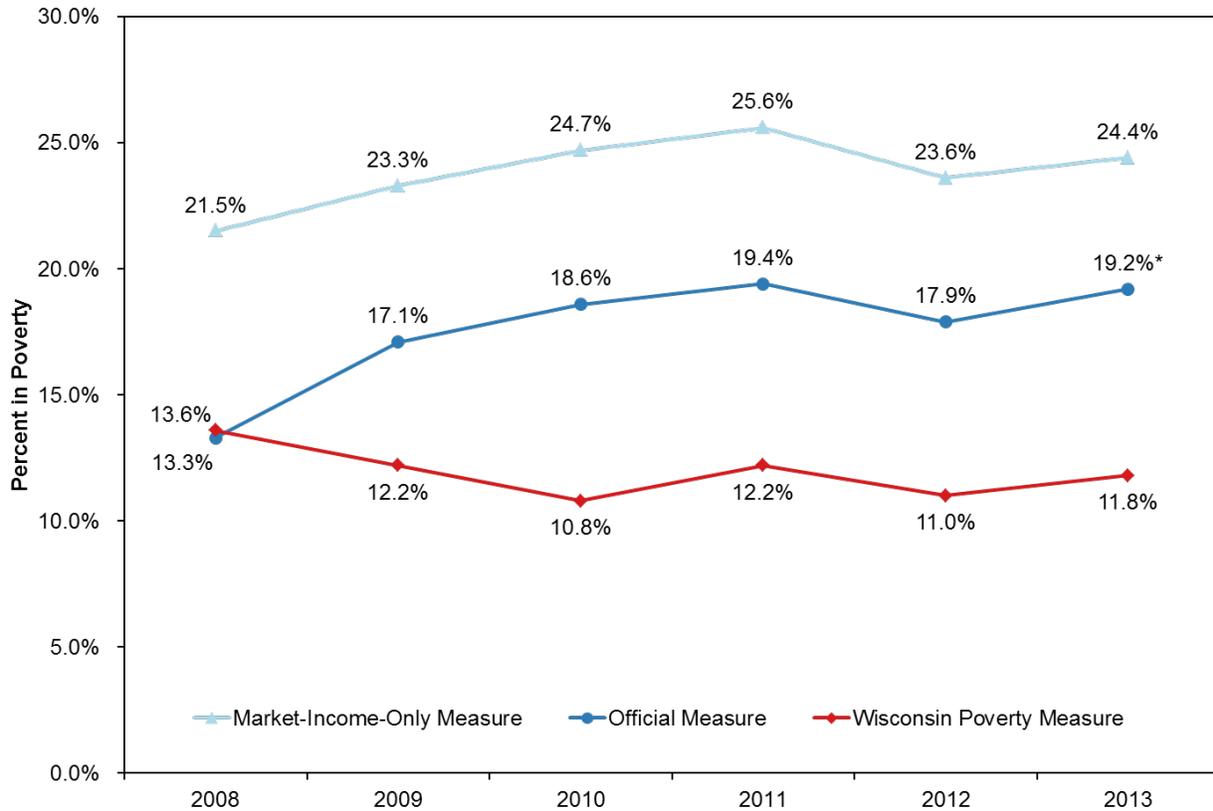
Child poverty rates, shown in Figure 5, increase under all three measures, although the apparent increase in the WPM (11.0 to 11.8 percent) is not large enough to be statistically significant, given the sampling error around the estimate. The gap between the WPM child poverty rate and the official rate is now 7.4 percentage points (11.8 percent as compared with 19.2 percent), which is the largest gap we have seen over the past six years. Although the three measures of child poverty are quite different in levels, they show the same basic trends between 2010 and 2013: child poverty rose in 2011, fell in 2012, and then increased again in 2013. Changes in market income, which essentially capture changes in employment and earnings, appear to be driving the trends in child poverty between 2010 and 2013. Both market-income poverty and WPM poverty rose by 0.8 percentage points in 2013. Children got some boost from the recovering economy in 2012, but that boost appears to have dissipated in 2013. While families with children continued to benefit from some of the program expansions under the American Recovery and Reinvestment Act of 2009 (ARRA), it was not enough to protect them against the rising market-income poverty of their parents in 2013.

In contrast, 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

⁸Published Census Bureau reports show a statistically insignificant increase in poverty rates in Wisconsin between 2012 and 2013. Our estimates of official poverty rates are similar to the published rates for 2013, but our estimates for 2012 were lower (and thus we find a larger increase between 2012 and 2013 than shown in the published rates). See A. Bishaw and K. Fontenot, "Poverty: 2012 and 2013," *American Community Survey Brief* No. 13-01, available at <http://www.census.gov/content/dam/Census/library/publications/2014/acs/acsbr13-01.pdf>. Our estimates are based on the IPUMS, which, like other public versions of the ACS data, are based on a 40 percent sample of the original data underlying the published Census Bureau reports, and sampling error explains some of the difference in our estimates.

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). Child poverty in 2010 was still higher than poverty for other age groups, but it was low relative to other years.

Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2013



Source: IRP tabulations using 2008–2013 American Community Survey data.

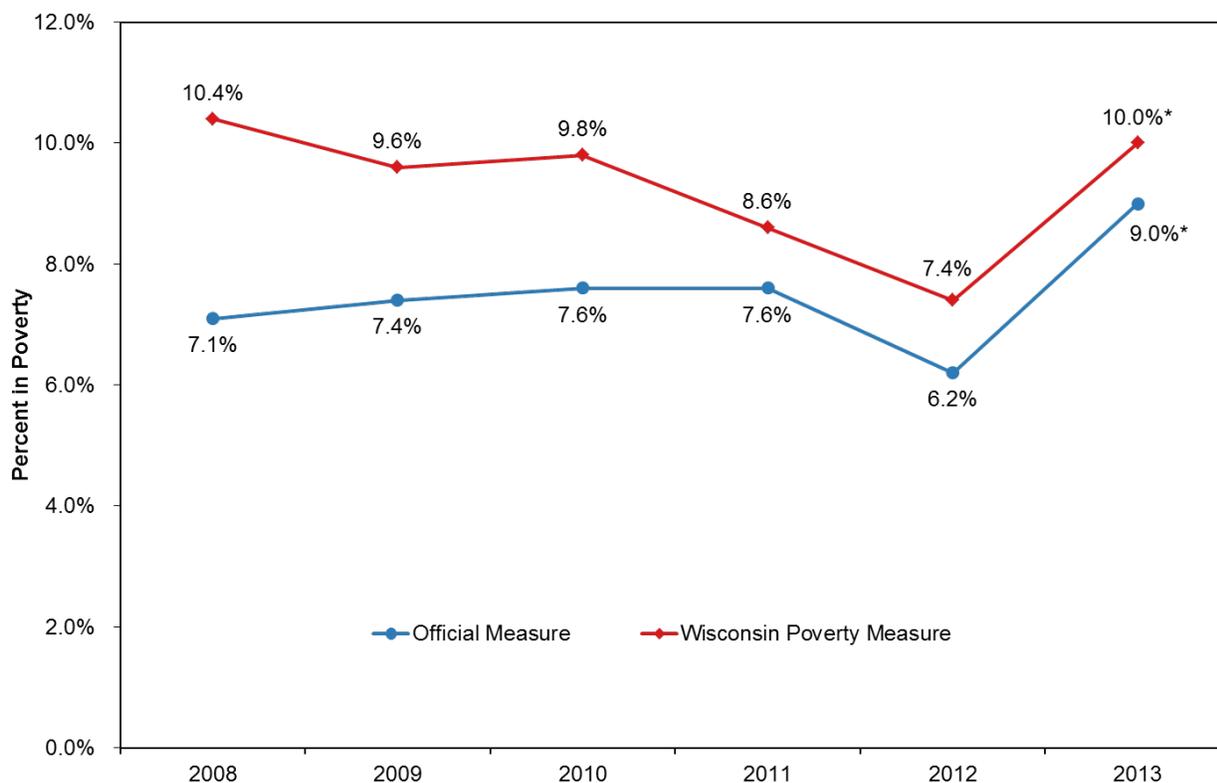
Note: * = The difference between 2012 and 2013 was statistically significant for the official poverty measure.

Between 2012 and 2013, elderly poverty in Wisconsin jumped from 6.2 to 9.0 percent using the official measure, and the WPM rose almost as much, from 7.4 to 10.0 percent, as shown below in Figure 6. Such a large jump in elderly poverty 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. We plan to examine poverty statistics for 2014 closely, to determine whether the higher levels among this group are observed in 2014 as well.

The low-market-income elderly are mainly taken out of poverty by Social Security benefits, as each new generation of elders have higher earnings and therefore receive higher Social Security benefits than the previous generation. Supplemental Security Income (SSI) benefits, which provide supplemental assistance to elderly whose earnings history leaves them with scant Social Security benefits, also help raise low-income elderly above the poverty line. 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 SSI benefits from 2012 to 2013. And, because there are a fairly large number of elderly individuals and couples whose incomes are just slightly above 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 in Wisconsin. In addition, the rise in medical out-of-pocket expenses was greater than the increase in Social Security benefits in 2012 and 2013, hence eating

up a larger fraction of elder incomes. These factors contributed to the WPM poverty rate among the elderly rising to its highest level since we began measuring poverty under the WPM in 2008, as shown below in Figure 6.

Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2013



Source: IRP tabulations using 2008–2013 American Community Survey data.

Note: * = The difference between 2012 and 2013 was statistically significant for both measures.

Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

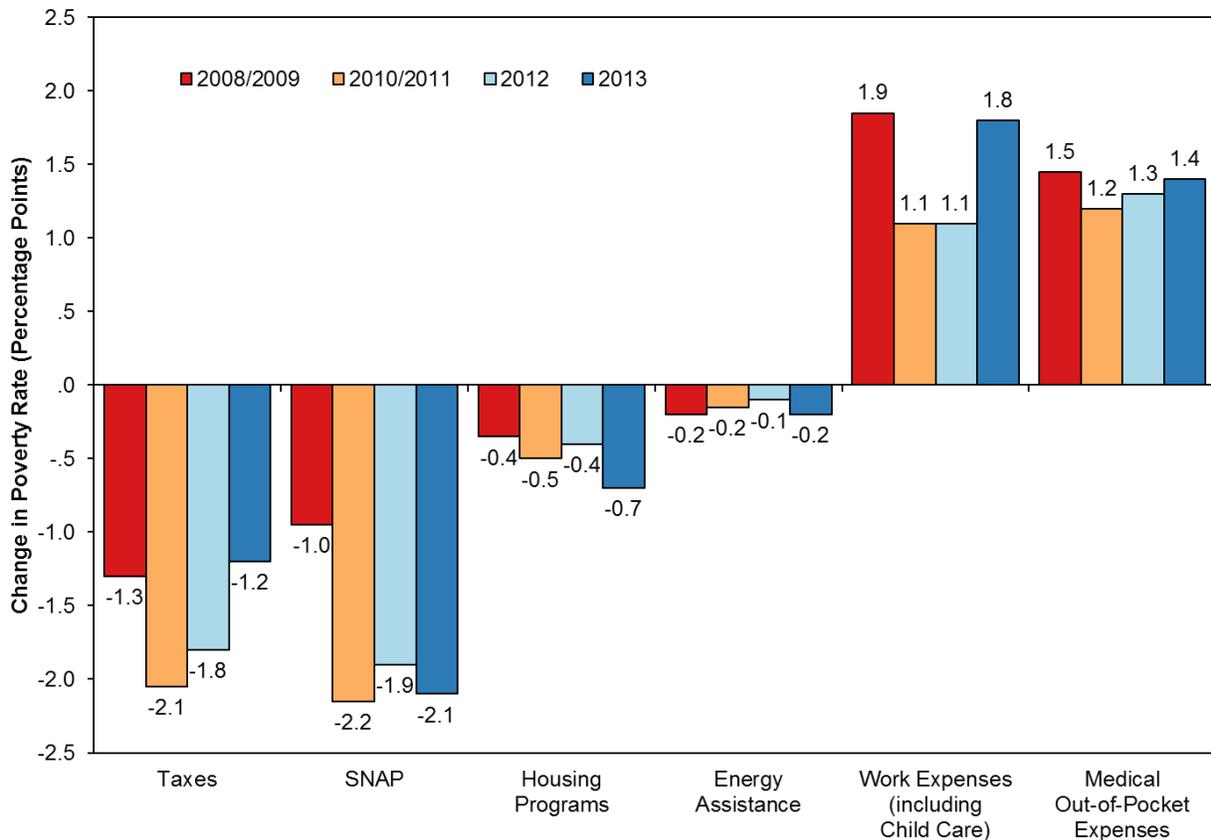
The WPM allows us to examine the economic effects of a wider range of policies aimed at the poor than does the official poverty measure. Partly as a result of welfare reform and the growing importance of earnings, even at low-paid jobs, the majority of the expansion in public benefits in Wisconsin during 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. And so, it is important to document the effects of these noncash and tax benefits on poverty.

In this section, we estimate what poverty rates would have been if we had not considered noncash and tax benefit receipts, 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 2013, with SNAP reducing the percentage of people in poverty by approximately 2 percentage points in each of the past few years (Figure 7). The second largest effect was from tax provisions such as the EITC, but here the effects were lower in 2013 than in 2010 to 2012. 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 (which was in effect in 2011 and 2012); neither were in effect in 2013, and as a result, the net effect of taxes and tax credits was less likely to lift the working poor out of poverty in 2013 than in 2012.

Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2013



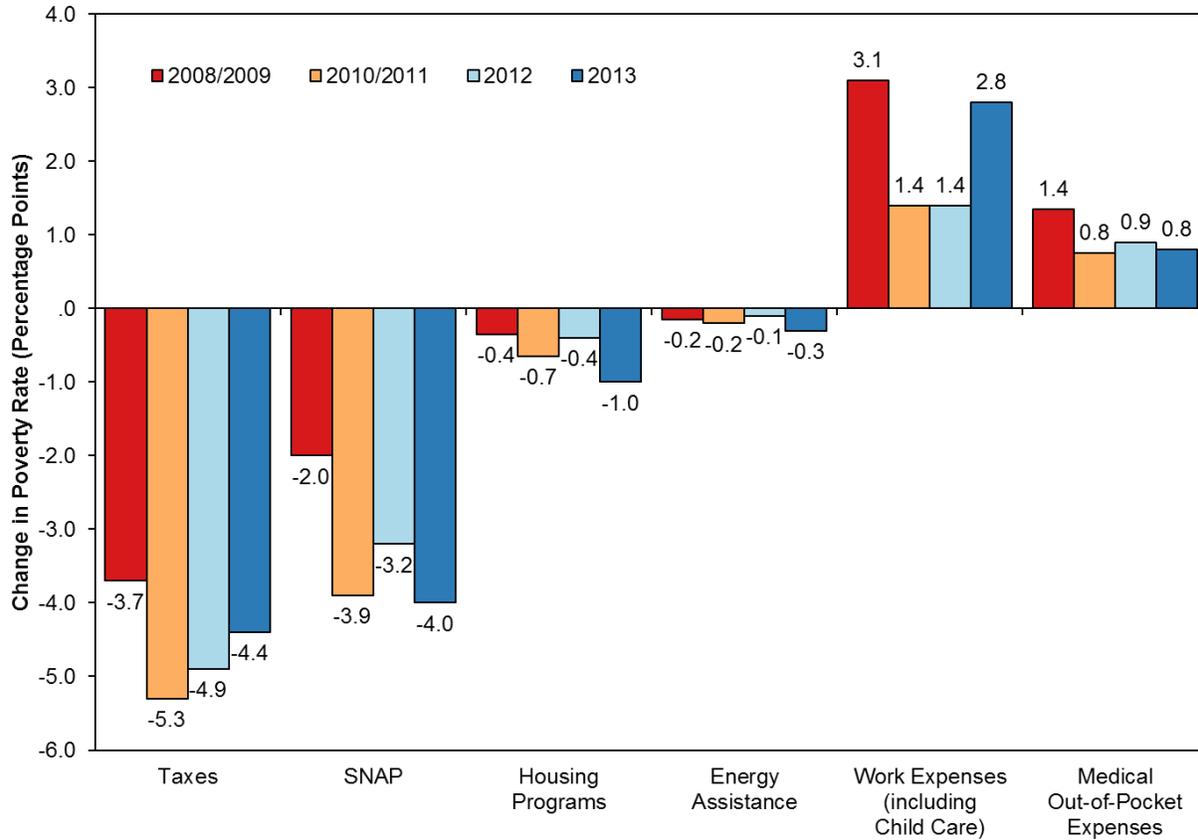
Source: IRP tabulations using 2008–2013 American Community Survey data.

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

Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty. This was particularly true in 2013, when tax-related provisions reduced child poverty by 4.4 percentage points and SNAP benefits reduced child poverty by 4.0 percentage points (see Figure 8). The net impact of the EITC and other tax provisions had a somewhat smaller effect in 2013 than in the earlier years, but was still quite substantial. As noted above, various tax provisions have changed over the course of the recession. In contrast, the effects of FoodShare/SNAP on child poverty were as high as at the peak of the recession.

Taxes had a negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by 0.8 percentage points during 2013, 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, reducing poverty by 1.0 percentage point or less in any year, but with the strongest effects for families with children.

Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2013



Source: IRP tabulations using 2008–2012 American Community Survey data.

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.

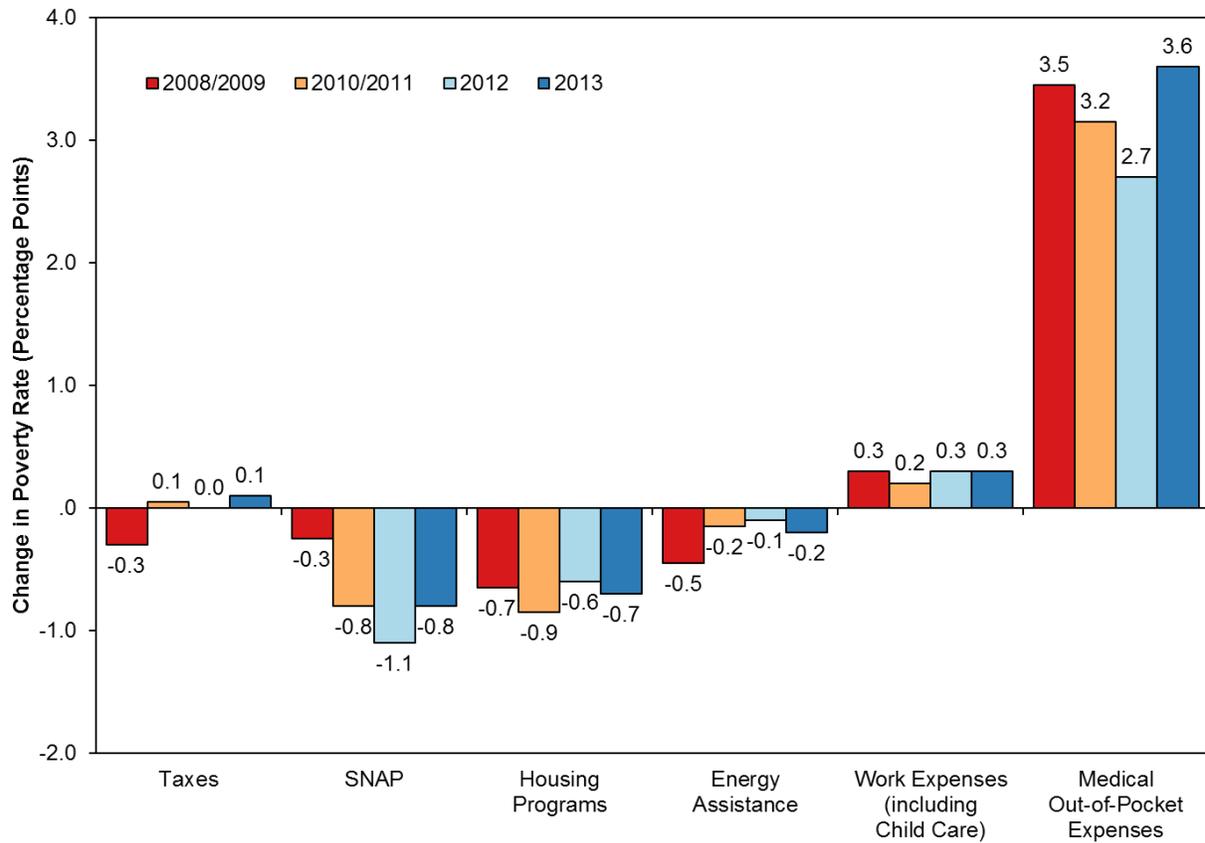
Work expenses and medical expenses have negative impacts on poverty; that is, the poverty rates are higher after one takes into account the loss of resources spent in these areas. The logic is simple: one has to incur costs for working in order to have the earnings that are supplemented by refundable tax credits that are based on these earnings. The negative impact of work expenses on poverty rose substantially in 2013 compared to 2010 to 2012. 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; what is somewhat puzzling here is that the increase was not apparent in 2012, but rather in 2013.⁹ As might be expected, the effects 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 elder poverty rates by 3.6 percentage points in 2013, almost a full percentage point negative effect compared to 2012 (Figure 9). Public

⁹Our estimates of child care expenses rely on imputations (using data from the Current Population Survey) and the use of such imputations 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 rising out-of-pocket work expenses.

policies designed to increase the coverage of medical expenses for the low-income elderly can help to alleviate the economic hardship felt by this group, but the negative impact of high medical expenses on elderly poverty seen in 2013 is the largest since the WPM began in 2008.

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2013



Source: IRP tabulations using 2008–2013 American Community Survey data.

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-alleviating effects of noncash benefits, overall and especially for children where the largest antipoverty effects were from SNAP and refundable taxes in 2013. For elders, medical cost increases swamped the sum of all noncash benefits and hence led to the larger rise in the WPM rate than that found in the official measure.

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 poverty rate hides substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these substate areas range from 18.2 percent in Milwaukee County to 5.0 percent in Waukesha County and the Fond du Lac/Calumet multicounty area. As shown in Map 1, Milwaukee County and La Crosse County were the only

places with rates significantly higher than the state average of 10.9 percent. Milwaukee County shows the highest poverty rate in the state, with a rate of 18.2 percent. Meanwhile, eleven areas have rates that are significantly lower than the statewide rate, including the counties of Waukesha and Fond du Lac/Calumet (5.0 percent); Ozaukee/Washington (5.7 percent); and St. Croix and Dunn (6.7 percent).

Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2013

| | Wisconsin Poverty Measure (%) | Confidence Interval: Lower Bound (%) | Confidence Interval: Upper Bound (%) | Difference from State Average |
|--|-------------------------------------|---|--|-------------------------------------|
| County | | | | |
| Milwaukee | 18.2 | 16.6 | 19.8 | Higher |
| Dane (Madison) | 11.2 | 9.9 | 12.5 | NS |
| Waukesha | 5.0 | 3.8 | 6.2 | Lower |
| Brown (Green Bay) | 10.7 | 8.1 | 13.3 | NS |
| Racine | 10.4 | 6.9 | 13.8 | NS |
| Kenosha | 10.9 | 7.6 | 14.1 | NS |
| Rock (Janesville) | 9.6 | 6.4 | 12.7 | NS |
| Marathon (Wausau) | 8.7 | 5.5 | 11.9 | NS |
| Sheboygan | 8.5 | 5.9 | 11.1 | NS |
| La Crosse | 17.6 | 13.1 | 22.0 | Higher |
| Outagamie (Appleton) | 8.1 | 5.6 | 10.6 | NS |
| Winnebago (Oshkosh) | 13.7 | 9.9 | 17.5 | NS |
| Walworth (Whitewater) | 14.1 | 11.2 | 16.9 | NS |
| Multicounty Area | | | | |
| Washington & Ozaukee (West Bend) | 5.7 | 3.6 | 7.7 | Lower |
| Sauk & Columbia (Baraboo) | 11.3 | 7.1 | 15.6 | NS |
| Dodge & Jefferson | 8.9 | 6.8 | 11.0 | NS |
| Manitowoc & Kewaunee | 9.1 | 6.5 | 11.7 | NS |
| Fond du Lac & Calumet | 5.0 | 3.3 | 6.7 | Lower |
| St. Croix & Dunn | 6.7 | 4.7 | 8.7 | Lower |
| Eau Claire & Chippewa (South) | 10.4 | 7.5 | 13.3 | NS |
| Barron, Polk, Clark & Chippewa (North) | 9.2 | 7.1 | 11.2 | NS |
| Marinette, Oconto, Door & Florence | 8.8 | 6.6 | 11.0 | NS |
| Central Sands—Wood, Portage, Juneau & Adams | 10.1 | 8.3 | 11.9 | NS |
| Oneida, Lincoln, Vilas, Langlade & Forest | 9.5 | 7.3 | 11.7 | NS |
| Grant, Green, Iowa, Richland & Lafayette | 9.6 | 7.7 | 11.4 | NS |
| East Central Wisconsin | 9.0 | 6.9 | 11.1 | NS |
| West Central Wisconsin—Northern Mississippi Region | 8.0 | 6.3 | 9.7 | Lower |
| Northwest Wisconsin | 11.3 | 9.4 | 13.2 | NS |
| State Total | 10.9 | 10.4 | 11.4 | |

Source: IRP tabulations of 2013 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 percent confidence intervals for each region's statistics and the state's overall statistics overlap.

the north and west, where overall poverty rates are also notably below the state average (e.g., Waukesha County at 5.0 percent and Ozaukee/Washington counties at 5.7 percent).

CONCLUSION

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. 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.

Despite an increase in employment in 2013, market-income poverty remained flat, and both official poverty and WPM poverty measures showed an increase in poverty. This increase is unexpected in a time of economic recovery, and suggests that the recovery remains fragile for low-income families. Some of the increase is driven by increases in elderly poverty, which may be sensitive to the inflation adjustments used in cost-of-living adjustments for Social Security and SSI benefits. Changes in the payroll tax, which increased on January 1, 2013, to its normal, pre-recession level, also contribute to the increase in poverty among working families as measured by the WPM. Taken as a whole, the net impact of taxes is to reduce poverty, but not by as much as they did in 2012. Moreover, the positive benefits of tax credits and SNAP in reducing poverty are offset by increasing 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 poverty, at least not in 2013. 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 level off or even shrink. This lessening impact of the safety net occurred both because of the recovery and because of the return to pre-recession levels in payroll taxes and other benefit changes. This has left the longer-term WPM poverty measure more or less flat from 2009 to 2013.

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 question our hope that as the economy slowly climbs back from the recession, increases in earnings will reduce market-income poverty. Most of the jobs created in 2012 to 2013 were in low-wage occupations, many in part-time jobs, which do not by themselves achieve the objective of effectively pulling low-educated working adults and their children above the poverty line, even with the help of refundable tax credits and SNAP.

In this report, the WPM was also used to estimate the extent to which specific noncash benefits and tax-related provisions or medical and work-related expenses affect poverty. Results suggest that SNAP and tax credits have been particularly effective in reducing the state's poverty rate, especially for families with children. 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. 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 Medicaid and SNAP, as well as child care and other policies to reduce work-related expenses for families with children. In addition, the recent increase 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 reports of slowing medical care cost increases, they still exceed the rate of increase in overall prices and incomes. And so rising out-of-pocket health care for elders continues to push more into poverty as their Social Security benefits rise by less than their medical costs.

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. 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.¹⁰

¹⁰For a more thorough academic discussion of the Wisconsin Poverty Project and its importance, see Y. Chung, J. Isaacs, and T. M. Smeeding, 2013, “Advancing Poverty Measurement and Policy: Evidence from Wisconsin during the Great Recession,” *Social Service Review* 87(3, September): 525–555.



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