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

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Overview of Talk

- Brief review of issues in measuring poverty, 3 measures used
- Level of poverty in US: by subgroup
- Composition of those below poverty.
- Depth of poverty
- Poverty in comparative perspective
- Trends in poverty
- Conclusions

Poverty Measurement Essentials

- **Resource measure** – determines what sorts of resources are counted
- **Resource sharing unit** – a collection of individuals that are presumed to share resources.
- **Poverty threshold** – the level of resources below which members of a resource sharing are classified as being “poor”
- **Equivalence scale** – defines how the threshold varies across resource sharing unit size and composition

Official Poverty Measure

- **Resource measure** - gross cash income
 - Ignores taxes and EITC
 - Ignores non-cash benefits (Food Stamps, housing assistance, etc.)
- **Resource sharing unit**
 - Family - two or more related persons that live in the same dwelling
 - Unrelated individuals – individuals living on their own or with other persons that they not related to (e.g., a cohabiting couple without children are classified as would be defined as two unrelated individual).
- **Threshold** - 3 times economy food plan, updated for price change
 - Does not change with standard of living
 - No adjustments for the fact that food expenditures are a much smaller fraction of total family expenditures than they were when the thresholds were conceptualized.
 - Trends in poverty are sensitive to the price index used for updating the thresholds.
- **Equivalence scale** – add hoc is the best way to describe it

Supplemental Poverty Measure (SPM)

Poverty Measure Concepts: Official and Supplemental		
	Official Poverty Measure	Supplemental Poverty Measure
Measurement Units	Families and unrelated individuals	All related individuals who live at the same address, and any coresident unrelated children who are cared for by the family (such as foster children) and any cohabiters and their relatives
Poverty Threshold	Three times the cost of a minimum food diet in 1963	The mean of the 30th to 36th percentile of expenditures on food, clothing, shelter, and utilities (FCSU) of consumer units with exactly two children multiplied by 1.2
Threshold Adjustments	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs by tenure and a three-parameter equivalence scale for family size and composition
Updating Thresholds	Consumer Price Index: all items	Five-year moving average of expenditures on FCSU
Resource Measure	Gross before-tax cash income	Sum of cash income, plus noncash benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses, minus out-of-pocket medical expenses and child support paid to another household

Relative Measure: Threshold 50% of Median Household Income, Net Income Resources

- **Resources** - Net cash and near-cash resources – similar to SPM, but without deductions for work, out-of-pocket medical, childcare, and child support expenses
- **Resource sharing unit** - Implicitly assumes resources are shared within HHs
- **Threshold** – 50-60% of median equivalized household income
- **Equivalence scale** – math based.

2016 Poverty Rates

For all persons

- 12.7% using the official measure
- 14.0% using the SPM

2016 Poverty Rates for Subgroups

- Age groups
 - Less than 19
 - 19 to 64
 - 65+
- Less than age 65
 - Race
 - Location (urban/rural, region)
 - Family unit type
 - Characteristics of the head (education level, worker status)

Poverty Rates in 2016: By Age group

Group	Official	SPM
Children	19.0%	15.2%
Adults ages 18 to 64	11.5%	13.3%
Adults ages 65 and older	9.3%	14.5%

Poverty Rates in 2016: By Race

Group	Official	SPM
Whites (non Hispanic)	9.3%	9.4%
Blacks (non Hispanic)	22.2%	20.8%
Hispanic	19.5%	21.7%
Other	11.9%	14.3%

Poverty Rates in 2016: By Location

Group	Official	SPM
By region		
Northeast	11.2%	12.1%
Midwest	12.3%	10.8%
South	14.8%	14.7%
West	13.2%	16.2%
By urban status		
Metro	12.7%	13.9%
Non-metro/Rural	17.2%	13.0%

Poverty Rates in 2016: By Family Type

Group	Official	SPM
By family type		
Married couple	6.2%	8.3%
Cohabiting couple	Na	13.5%
Male headed family	14.3%	17.7%
Female headed family	30.7%	27.8%
Male nonfamily	18.5%	22.6%
Female nonfamily	25.7%	26.0%

Poverty Rates in 2016: By Characteristics of the Head

Group	Official	SPM
By Education of Head		
Less than HS	31.9%	31.3%
HS, no college	18.2%	18.2%
Some college	12.6%	13.1%
4+ years of college	4.4%	5.8%
By Worker Status		
Not working	34.3%	31.4%
Worked, not FTFY	20.2%	16.8%
Worked FTFY	3.4%	4.7%

Is Measurement Important in Determining Risk for Poverty?

Measurement matters in a few places

- Age group comparisons –For children SPM poverty rates are lower than OPM poverty rates, but for elderly Americans the opposite is true
 - Non-cash benefits and tax credits are targeted at families with children
 - The elderly have high out of pocket medical expenses
- Comparisons across race - Blacks do a little better on SPM and Hispanics do a bit worse (regional distribution)
- Geographic comparisons
 - People in the West and Northeast do worse on the SPM measure (high shelter cost adjustment→higher thresholds). People in Midwest region do better on the SPM measure relative to the OPM measure (lower shelter cost-→lower thresholds)
 - There are also metro vs. non-metro differences.

The Composition of the Poor in 2016

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

The Composition of the Poor in 2016: By Age Group

Group	Percent of Poor (official)	Disproportionality Index (poverty share)/(pop share)
Children	32.9%	1.4
Adults ages 18 to 64	55.9%	0.9
Adults ages 65 and older	11.2%	0.7

The Composition of the Poor in 2016: By Race

Group	Percent of Poor (official)	Disproportionality Index (poverty share)/(pop share)
White (non Hispanic)	40.5%	0.7
Black (non Hispanic)	23.2%	1.7
Hispanic	28.9%	1.5
Other	7.4%	0.9

The Composition of the Poor in 2016: By Location

Group	Percent of Poor (official)	Disproportionality Index (poverty share)/(pop share)
By Region		
Northeast	14.4%	0.8
Midwest	19.3%	0.9
South	42.4%	1.1
West	24.0%	1.0
By Urban Status		
Metro	83.9%	1.0
Non-metro/Rural	16.1%	1.3

The Composition of the Poor in 2016: By Family Type

Group	Percent of Poor (official)	Disproportionality Index (poverty share)/(pop share)
Married couple family	28.4%	0.5
Male headed family	6.3%	1.1
Female headed family	38.9%	2.3
Male nonfamily	12.1%	1.4
Female nonfamily	14.3%	1.9

The Composition of the Poor in 2016: By Characteristics of the Head

Group	Percent of Poor (official)	Disproportionality Index (poverty share)/(pop share)
By Education Level		
Less than HS	25.3%	2.4
HS, no college	35.9%	1.4
Some college	27.5%	1.0
4+ years of college	11.3%	0.3
By Worker Status		
Not working	55.1%	2.6
Working, not FTFY	29.7%	1.5
Working FTFY	15.1%	0.3

Is Measurement Important in Determining the Composition of the Poor?

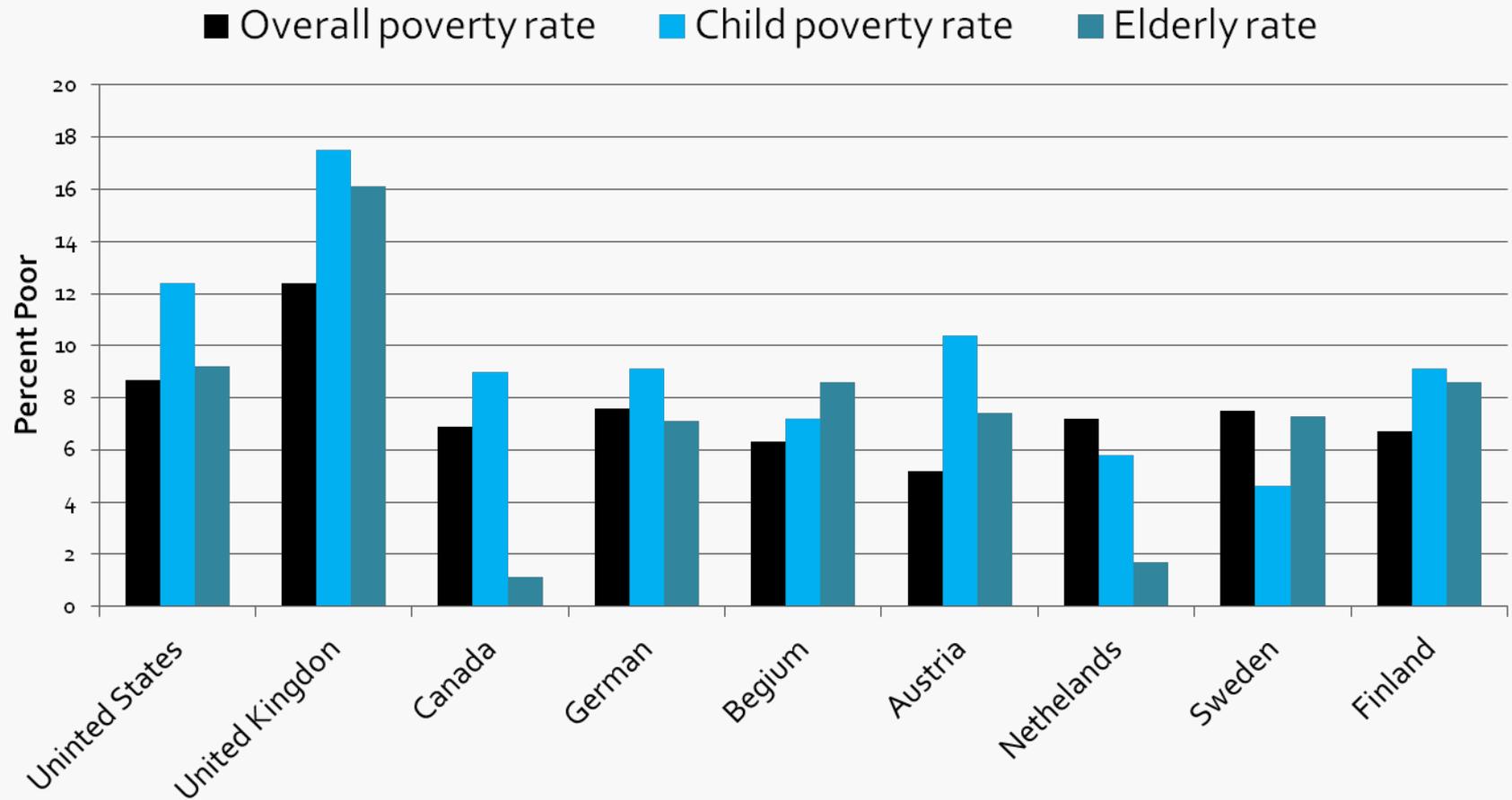
Not really

- Measurement matters a little bit across age groups – by the SPM measure a lower share of the poor are children and a higher share are adults and (especially) elderly adults.
- Measurement also matters a little bit across locations - a higher share of the poor are in the West and metro areas under the SPM

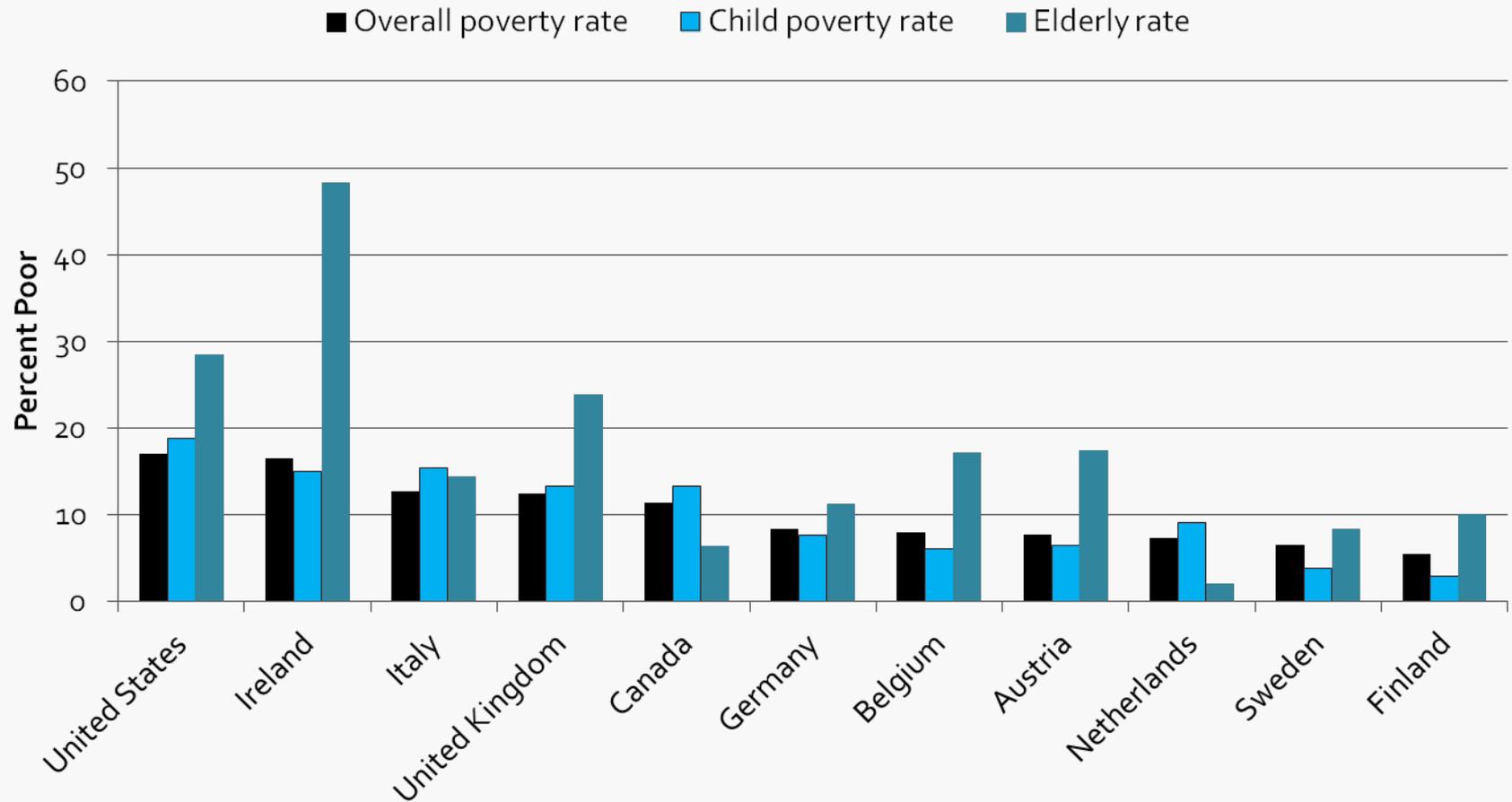
The Depth of Poverty in 2016

- Deep poverty is typically defined as having resources less than 50% of the poverty threshold
- By the official measure about 46% of the nonelderly poor are in deep poverty, but the share of poor that is in deep poverty is higher among some subgroups
 - Non family individuals (both male and female)
 - Individuals in female headed families
 - Members of families in which the head is not working
- **Measurement matters a in determining deep poverty status** – Only 34% of nonelderly poor by the SPM measure are in deep poverty

Poverty Levels in Select Countries in 2000 (Net Income, Official Threshold, Smeeding (2006))



Poverty Levels in 2000 in Select Countries (Net income, 50% of median, Smeeding (2006))



Why Does the US Do Poorly on International Comparisons? Low Spending on Social Insurance and Social Assistance (Smeeding (2006))

The Antipoverty Effect of Government Spending: Percent of All Persons Poor^a

Nation (year)	Market income ^b	Social insurance (and taxes) ^c	Social assistance ^d	Percentage reduction		OECD Social expenditures on nonelderly ^e
				Social insurance ^e	Overall ^f	
United States (00)	23.1	19.3	17.0	16.5	26.4	2.3
Netherlands (99)	21.0	9.6	7.3	54.3	65.2	9.6
Sweden (00)	28.8	11.7	6.5	59.4	77.4	11.6
Germany (00)	28.1	10.6	8.3	62.3	70.5	7.3
Canada (00)	21.1	12.9	11.4	38.9	46.0	5.8
Finland (00)	17.8	11.4	5.4	36.0	69.7	10.9
United Kingdom (99)	31.1	23.5	12.4	24.4	60.1	7.1
Belgium (00)	34.6	8.9	8.0	74.3	76.9	9.3
Austria (00)	31.8	9.1	7.7	71.4	75.8	7.4
Italy (00)	30.0	13.7	12.7	54.3	57.7	4.3
Ireland (00)	29.5	21.2	16.5	28.1	44.1	5.5
Average	27.0	13.8	10.3	47.2	60.9	7.4

Why Does the US Do Poorly on International Comparisons? The Nonelderly (Relative) Poor in the US Work More (Smeeding (2006))

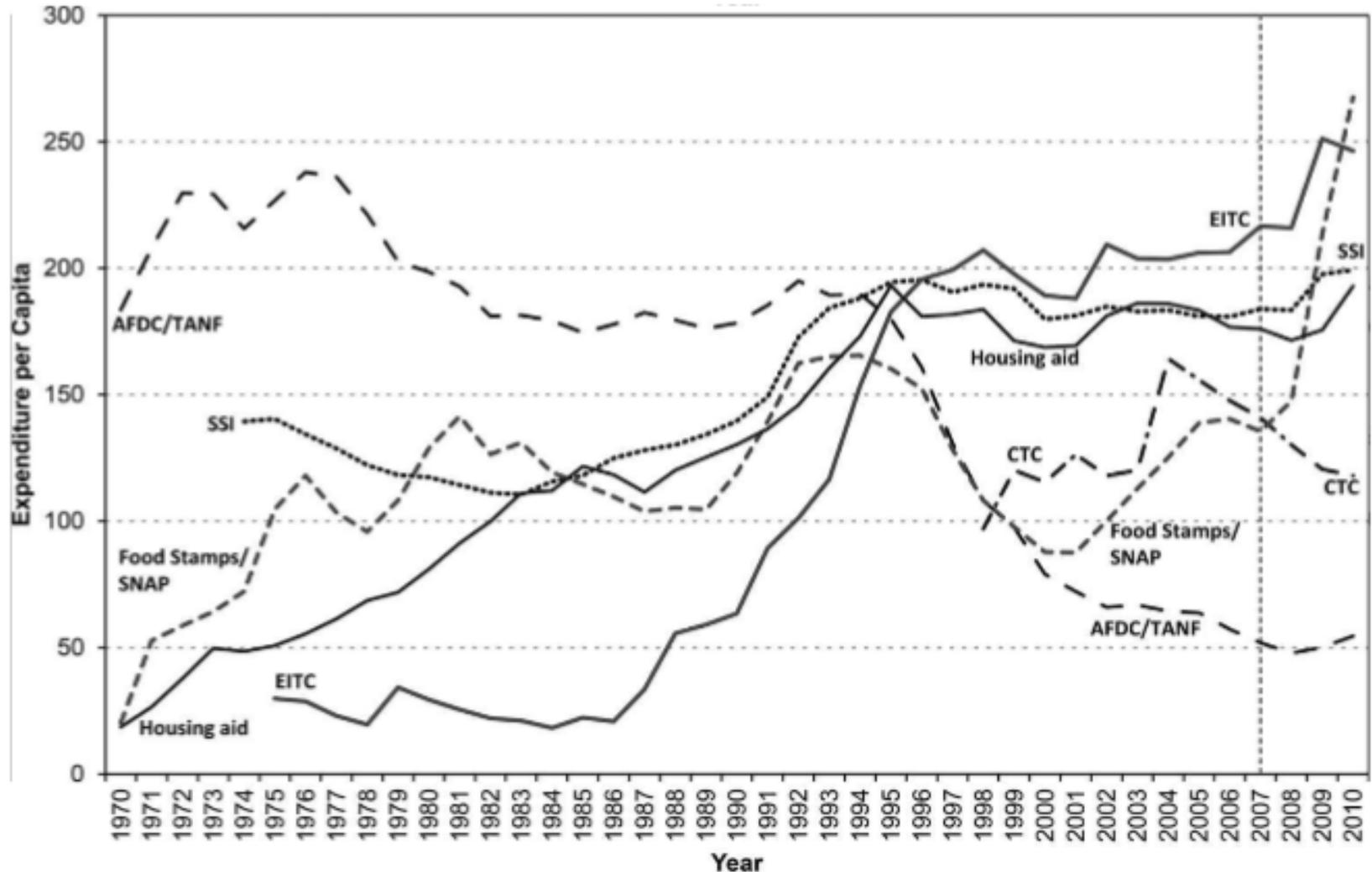
Total Annual Hours Worked^a by Head and Spouse in Nonelderly Poor Households^b

<i>Nation (year)</i>	<i>All Nonelderly poor households</i>		<i>Nonelderly poor households with children</i>		<i>Nonelderly single-parent poor households</i>	
	<i>Market income^e</i>	<i>Disposable income^d</i>	<i>Market income^e</i>	<i>Disposable income^d</i>	<i>Market income^e</i>	<i>Disposable income^d</i>
United States (00)	1,150	1,283	1,552	1,621	1,087	1,069
Netherlands (99)	489	741	830	891	351	311
Germany (00)	371	526	684	687	471	558
Canada (00)	947	963	1,339	1,338	626	498
Belgium (00)	463	737	1,125	1,375	219	179
Austria (00)	861	1,412	1,498	1,681	898	553
Ireland (00)	699	650	900	807	420	330
Average	711	902	1,133	1,200	582	500

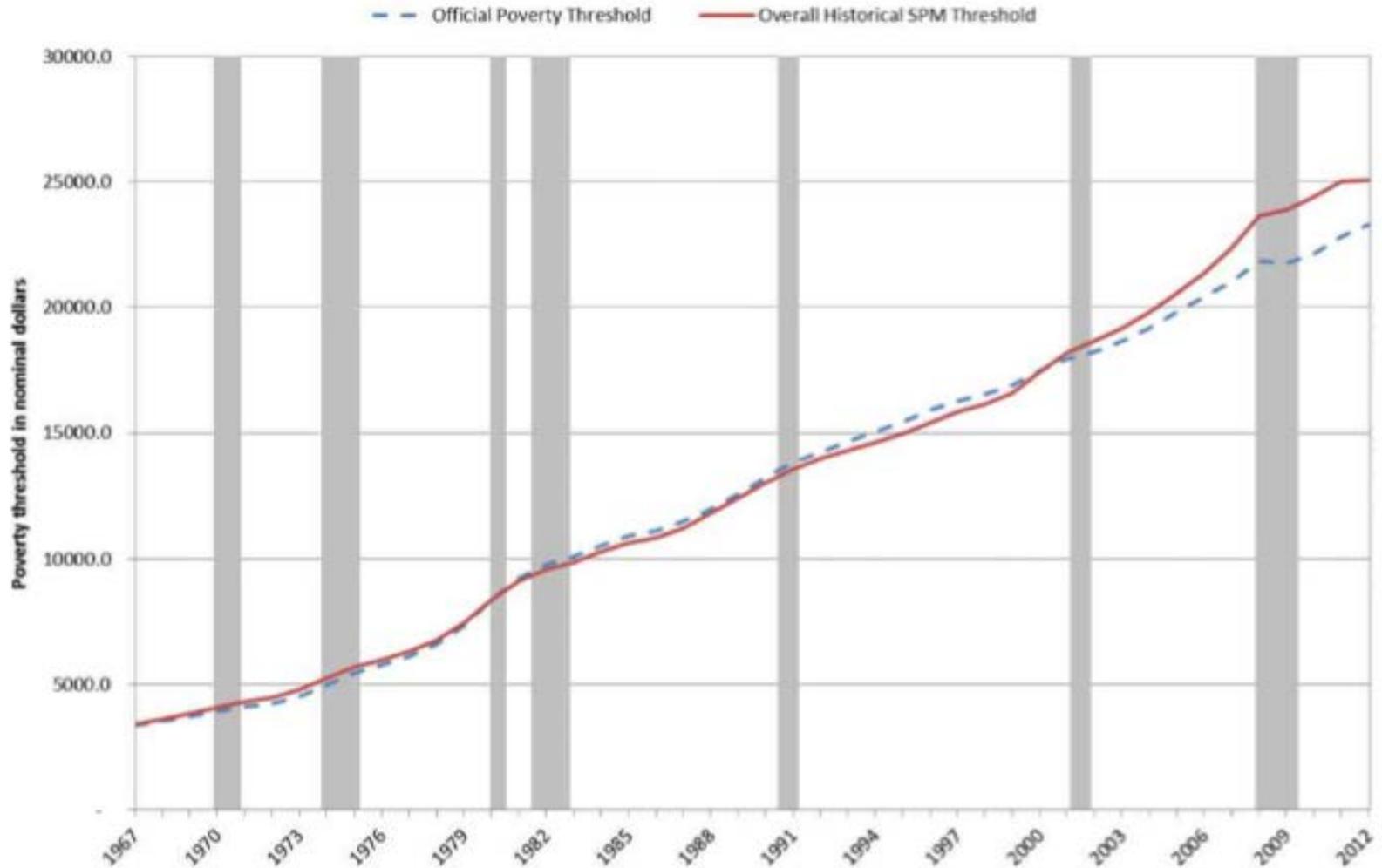
Trends in SPM and OPM Poverty

- **Important Considerations**
 - Differences in measures of income in relation to changes in expenditures on means tested programs.
 - Changes in the level of thresholds over time.

Trends in per Capita Non-Medical Means-Tested Program Expenditures

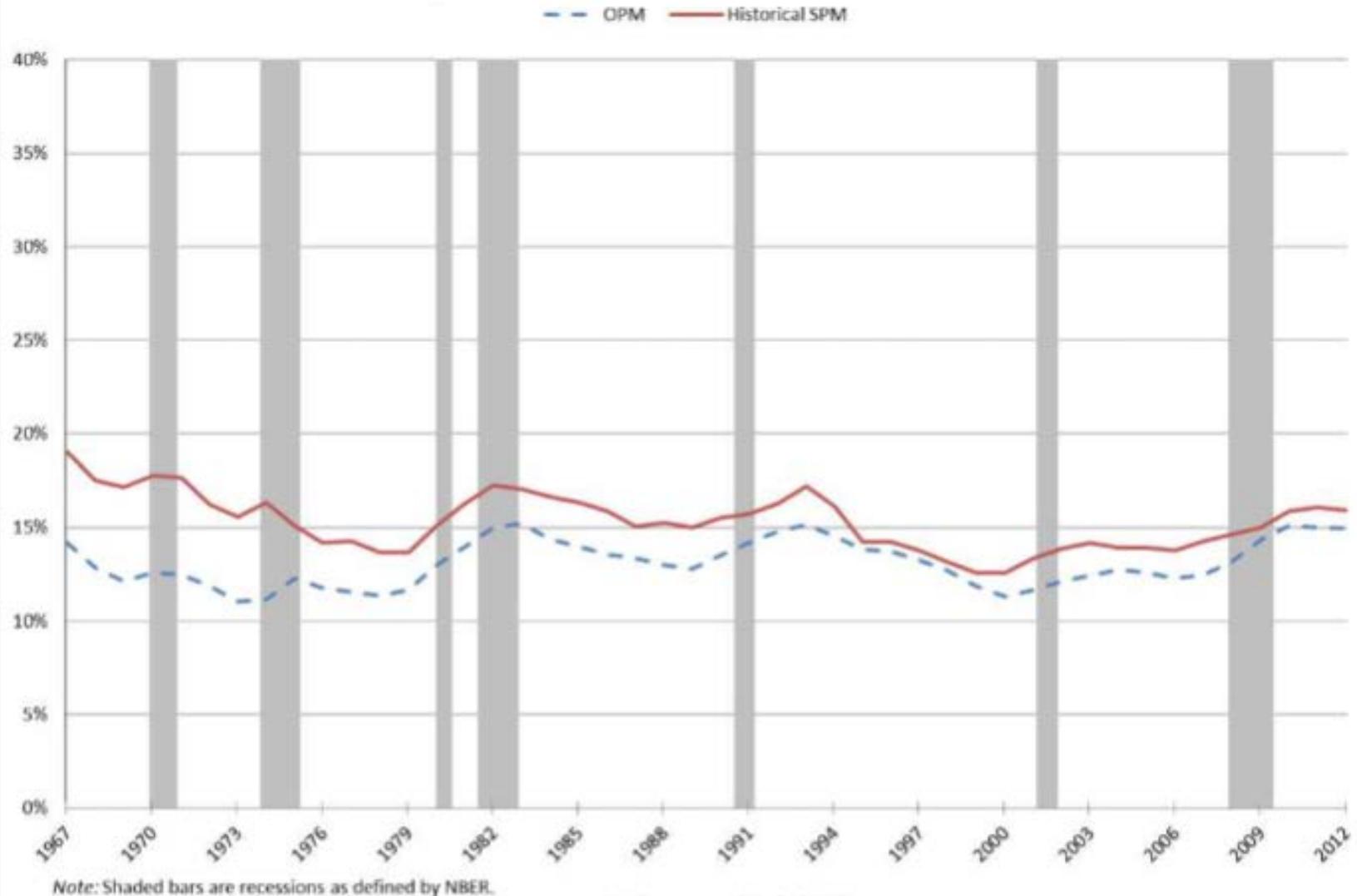


Trends in OPM and SPM Threshold (1967-2012, Fox et al. 2015)



Note: Thresholds based on two-child households. Shaded bars are recessions as defined by NBER.

Trends In Poverty: OPM vs. SPM (1967-2012, Fox et al. (2015))

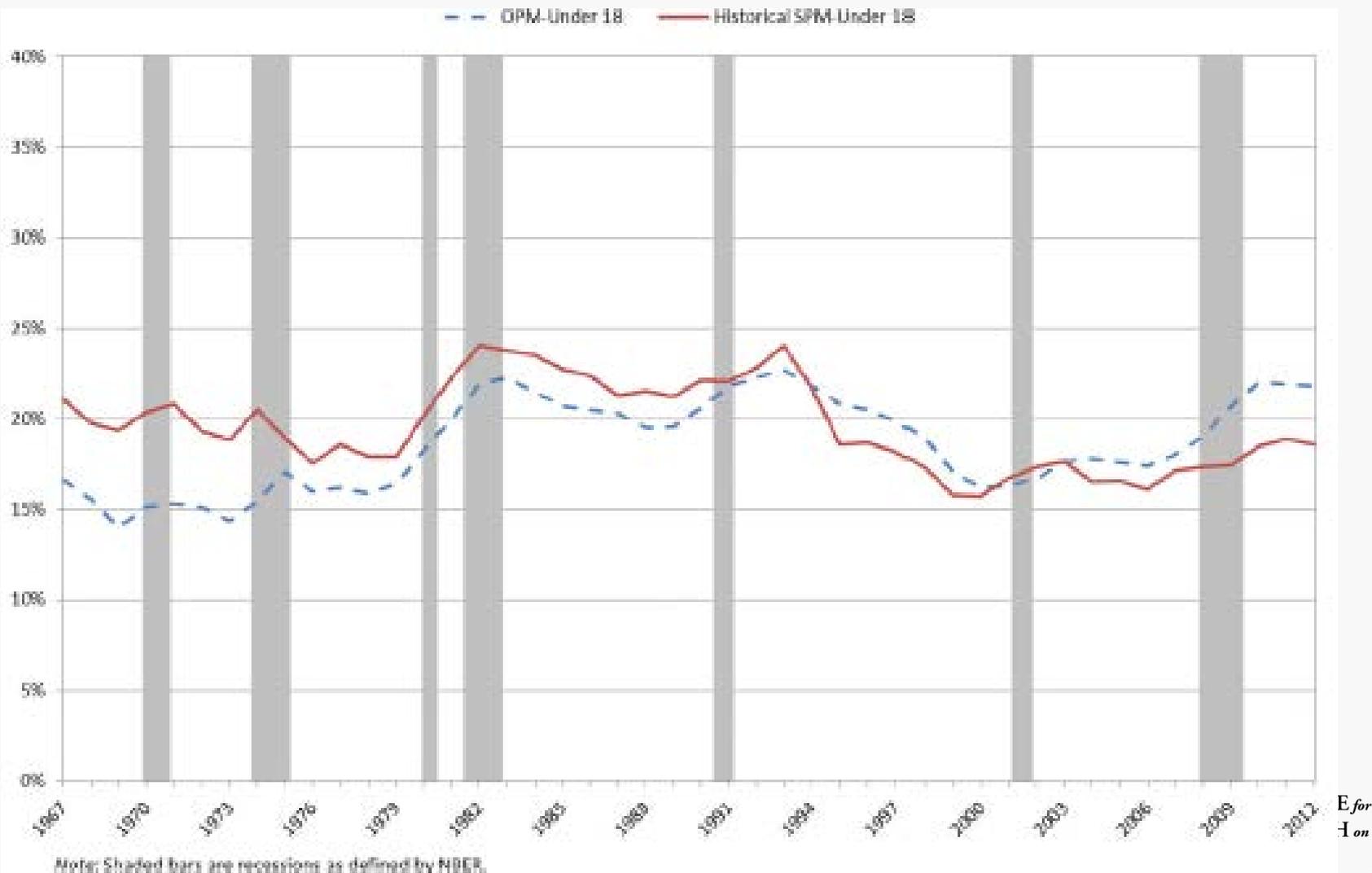


Elderly Poverty has Fallen Rapidly by both the Official Measure and the SPM (Fox et al. 2015)

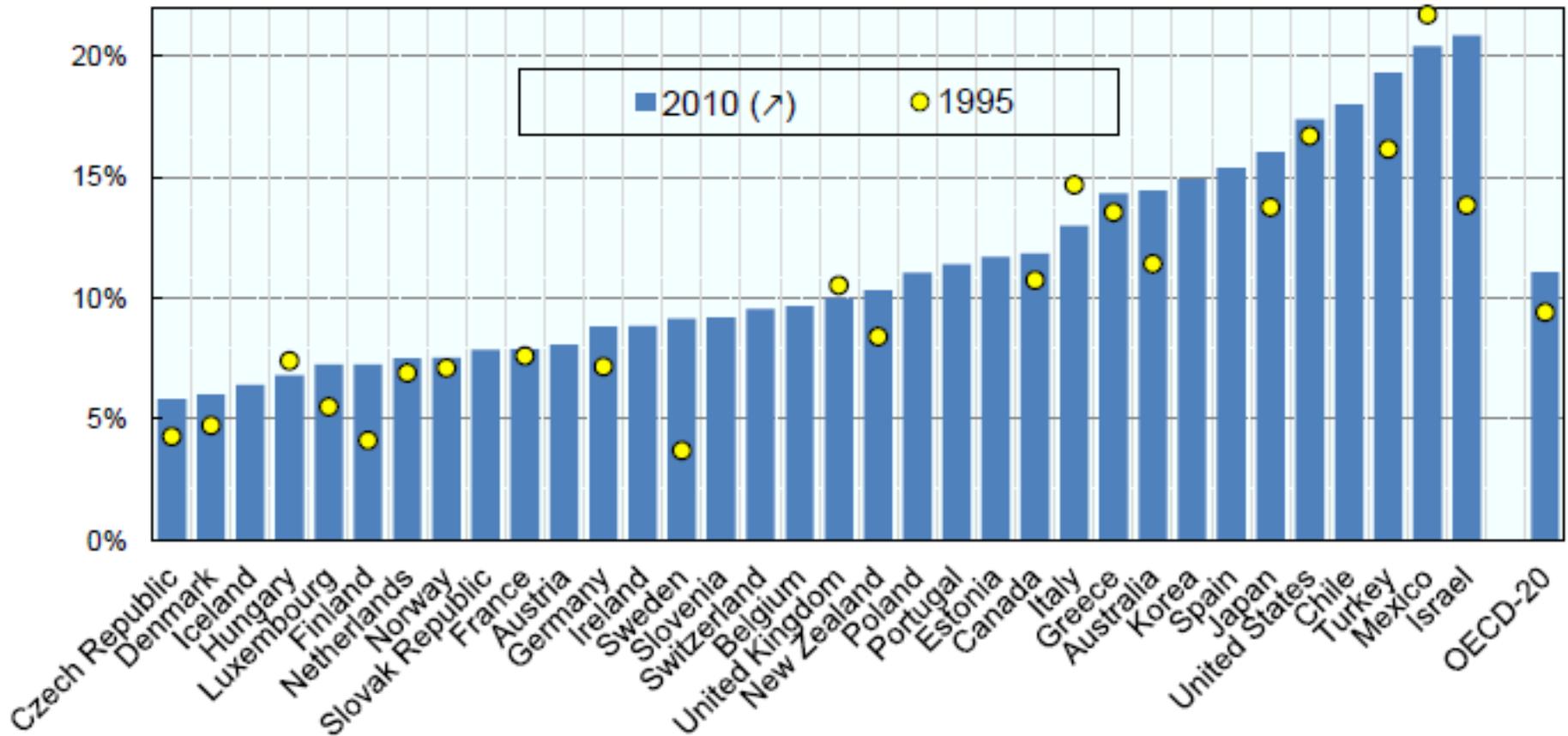


Note: Shaded bars are recessions as defined by NBER.

Trends in Child Poverty: OPM vs. SPM (1967-2012, Fox et al. (2015))



Comparative Trends in Poverty (1995 and 2010, relative poverty)



Major Trends Poverty Composition (1968-2016)

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

- Much larger fraction of the poor in 2016 were working age adults.
- The browning of poverty – a much larger fraction of the poor in 2016 were non-white.
- The urbanization of poverty – in 1968 nearly 50% of the poor lived in rural areas, compared with about 16.0% in 2016
- The feminization of poverty – larger fraction of the poor in 2016 were living in a female headed family or are female non-family individuals.
- A smaller fraction of the poor in 2016 were living in family units.

Conclusions

- **Measurement matters** – especially for age group comparisons, assessments of deep poverty, and trends.
- There are substantial differences in poverty rates across subgroups
- The poor are diverse – but non-whites, nonfamily individuals, persons in female-headed families, and those with less education make up a disproportionately share
- There have been major shifts in the composition of the poor in the nearly 40-years covered by our data, but these are mostly due to changes in the composition of the population.

Conclusions, Cont.

- The United States track record on fighting poverty is mixed
 - On one hand SPM poverty has fallen over the 1967 to 2016 period in spite of the erosion of earnings for less skilled workers, the increased prevalence of female headed families, and a growing share of the population that is nonwhite.
 - On the other hand:
 - Our official measure of poverty is basically unchanged from its 1967 level.
 - The US still does poorly compared to other its counterparts and there are some demographic groups in the US that are at a high risk for poverty.
 - Some demographic shifts such as increasing educational attainment work in favor of poverty reduction.