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What to Look for in Next Week's Census Figures on Poverty and Income

by Arloc Sherman

On September 16, the Census Bureau will release official statistics on poverty and income in 2014. Several points are worth noting in advance of the release.

Job Growth in 2014 Should Mean Lower Poverty and Higher Median Income

The solid improvements in employment in 2014 make it relatively likely that poverty declined and inflation-adjusted median household income rose that year.[1] The average annual number of nonfarm jobs rose 2.7 million in 2014, the largest increase since 2000, according to previously released data from the Labor Department. In addition, the number of long-term unemployed (workers out of work for 27 weeks or more) dropped by more than 1 million or 25 percent, the largest such decline in 30 years. And the employment rate of adults in their prime working years of 25 to 54 rose more (in percentage-point terms) than in any year since 1988, from 75.9 percent to 76.7 percent, though it remained well below its pre-recession level of 79.9 percent.

Other major labor market changes in 2014 were either positive or, if negative, probably too small to outweigh the income gains from job growth. Average hours worked per week were unchanged. Inflation-adjusted hourly wages were mixed, with average wages up 0.8 percent according to the Labor Department and median wages down 0.4 percent according to the Economic Policy Institute (EPI). EPI noted that wages were stagnant or *down* slightly for workers on most rungs of the economic ladder in 2014, except for those near the very bottom (at the 10th percentile of the wage distribution), whose wages rose on average, both nationally and particularly in the group of 18 states with a minimum-wage increase.[2]

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[1] If the Census Bureau reports that the change in poverty or income was not statistically significant between 2013 and 2014, it might reflect the lack of progress among most workers on the wage front, but it also might reflect a technical change involving the 2013 survey that reduced the sample size. An alternative series included in a Census appendix may better describe changes from 2013 to 2014.

[2] Elise Gould, "2014 Continues a 35-Year Trend of Broad-Based Wage Stagnation," Economic Policy Institute, February 19, 2015, http://www.epi.org/publication/stagnant-wages-in-2014; Elise Gould, "A Glimmer of Positive News: Wages Rose for Bottom 10 Percent (Unlike for Everybody Else)," Economic Policy Institute, February 20, 2015, http://www.epi.org/blog/a-glimmer-of-positive-news-wages-rose-for-bottom-10-percent-unlike-for-everybody-else/.

Supplemental Poverty Measure Will Show Impact of Programs Targeted for Cuts

This year, for the first time, Census will release poverty data using the Supplemental Poverty Measure (SPM) — which counts more forms of government assistance than the official measure — at the same time as the official poverty statistics. The SPM poverty report will show the anti-poverty effects of SNAP (formerly food stamps), the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), unemployment insurance (UI), rent subsidies, Social Security, and other income-supporting policies in 2014 and 2013.[3]

The SPM data for 2014 will likely show declines in the poverty-reducing effects of SNAP and UI, compared to 2013. This would reflect improvements in the economy that lessened households' need for the programs, as well as the fact that both of these programs have become less generous. In SNAP, a temporary anti-recessionary increase in the maximum benefit level ended in November 2013, lowering benefits for all recipients by an average of about 7 percent. In UI, total benefits declined by more than $27 billion from 2013 to 2014 (in 2014 dollars), largely reflecting expiration of temporary anti-recessionary measures, the improving economy, and additional state UI cuts in a few states. In fact, the share of unemployed workers receiving UI fell to 27 percent in 2014, the lowest on record, with data back to 1971.[4]

Recent Research Shows High Cost of Poverty for Children

The Census figures for 2014 come amid mounting evidence that income support policies not only lower poverty but can also have important positive effects in the long run. Children exposed to poverty experience greater learning and health problems, measurable effects on brain structure, and higher risk of adult poverty compared with non-poor children. But studies suggest that low-income children who receive safety net assistance experience better health, education, and earnings years later than those who do not.

New studies using brain scan technology illustrate some of the harm associated with growing up poor, underscoring the importance of anti-poverty policies, according to these researchers. Children in poverty had an average of 7 to 10 percent less grey matter in areas of the brain tied to learning and educational functioning than children above 150 percent of the poverty line, according to the latest study.[5] The scientists point to earlier evidence that income-boosting programs affect children's outcomes; an expansion in the EITC, for example, was associated with gains in middle school reading and math test scores.

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[3] The Census findings will likely understate the programs' poverty-reducing effects because the households Census surveys, like respondents in most other surveys, tend to underreport on the surveys the income they receive from government programs (for reasons such as lack of recall of the amount of benefits they received and embarrassment). A CBPP analysis that corrected for underreporting found that SNAP lifted over 10 million people out of poverty in 2014, compared with 5 million in the uncorrected data. See Arloc Sherman and Danilo Trisi, "Safety Net More Effective Against Poverty Than Previously Thought," Center on Budget and Policy Priorities, May 6, 2015, http://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought.

[4] Claire McKenna, *The Job Ahead: Advancing Opportunity for Unemployed Workers,* National Employment Law Project, February 2015, http://www.nelp.org/content/uploads/2015/03/Report-The-Job-Ahead-Advancing-Opportunity-Unemployed-Workers.pdf.

[5] Nicole L. Hair *et al.*, "Association of Child Poverty, Brain Development, and Academic Achievement," *JAMA Pediatrics*, published online July 20, 2015.

Studies also have found sustained effects of the EITC and the related Child Tax Credit on high school completion and college entry. Another study found that young children given access to food stamps (now SNAP) showed strong improvements many years later on a range of outcomes, including an 18-percentage-point increase in high school completion, relative to otherwise similar children who did not have access to the program.

Historical Comparisons Based on Official Poverty Measure Will Miss Key Facts

Some policymakers and pundits might use the new poverty data to argue that federal anti-poverty programs are ineffective, contending that while the official poverty rate fell sharply between 1959 and 1969 it has changed relatively little since then, apart from fluctuations due to the business cycle. But comparing poverty rates in the 1960s to poverty rates today using the official poverty measure yields highly misleading results and is shunned by most analysts for this reason. The official measure does *not* count non-cash programs like SNAP, the EITC, and rental vouchers, which constitute a far larger part of the safety net today than 50 years ago and which most analysts agree should be included when measuring poverty. Meanwhile, the official measure *does* count cash welfare assistance for families with children, which has been cut dramatically over recent decades. As a result, the official poverty measure omits the forms of safety-net assistance that have grown the most since the late 1960s, while counting the form of assistance that shrank the most. This makes it impossible to use the official poverty measure to compare poverty then and now without producing distorted results.

Researchers can make historical comparisons using the broader Supplemental Poverty Measure, however, which counts all of these various forms of assistance. The Census Bureau has not calculated SPM poverty rates before 2009, but Columbia University researchers have done so, and found that the SPM poverty rate fell markedly from 26 percent in 1967 to 16 percent in 2012. (These figures use a version of the SPM called the "anchored SPM," which takes the 2012 poverty line and adjusts it back to 1967 to remove the effects of inflation.)

The Columbia researchers found that the chief reason for the substantial progress since the late 1960s is the increased effectiveness of the safety net. In 1967, government assistance lifted out of poverty only 4 percent of those who would otherwise be poor; by 2012, that figure had jumped to 44 percent, accounting for virtually all of the poverty reduction over this period.