
September 17, 2015

Larger Census Survey Indicates Poverty Down, Income Up in 2014 American Community Survey May Be More Telling Than Yesterday's "Official" Survey

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The Census Bureau's latest American Community Survey (ACS), which it released today, found that poverty *fell* and median income *rose* in 2014 — in contrast with yesterday's Census release, based on the Current Population Survey (CPS), which showed that poverty and income were statistically unchanged in 2014 compared to 2013. The ACS is the nation's main source of state and local demographic data; it provides reliable information about national income and poverty trends; and, in this case as explained below, it may provide a more accurate picture of recent poverty and income trends.

The ACS findings show that poverty fell from 15.8 percent in 2013 to 15.5 percent in 2014, while real median household income rose by 1.1 percent, or about \$600, from \$53,059 to \$53,657. Both changes are statistically significant.

While, in most years, analysts favor the CPS as a source of national income and poverty data due to its more extensive income questions, this year several reasons suggest that the ACS results may be more revealing:

- **The ACS' large size adds to the statistical reliability of the results.** The ACS surveys about 3 million households while the CPS results are based on about 100,000 households for 2014 and only about 30,000 households in 2013.
- **The ACS data for 2013 and 2014 are fully comparable.** The CPS survey released yesterday included a number of methodological changes in 2013 and 2014 that may have made comparisons across years more difficult. Census attempted to adjust the comparisons to address these issues, but it's possible that these adjustments were not sufficient.
- **The ACS survey results are more consistent with the labor market's substantial improvements in 2014.** The average annual number of nonfarm jobs rose by 2.7 million in 2014, the largest increase since 2000, according to the Labor Department. 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. Such progress usually tracks drops in poverty and gains in income.

The two surveys' differing findings do suggest that observers should be cautious in placing sole emphasis on one set of results. Of particular note, the two surveys cover somewhat different time periods. The CPS survey was conducted in March 2015 and asked questions about income in 2014. The ACS survey reflects data collected in each month of 2014 on income levels in the 12 months prior to the survey month. This means that what the ACS calls 2014 data is actually a combination of 2013 and 2014 information, and what it calls 2013 data is actually a combination of 2012 and 2013 information.

If longer time periods are examined, both surveys have some discouraging findings. Under both surveys, poverty remains higher and median income remains lower than pre-recession levels.

Nonetheless, the positive national patterns that the 2014 ACS data depict deserve careful consideration. Living standards may be improving in a manner not indicated by the typically more widely used Census survey released yesterday.