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Transitions in Income and Poverty Status: 1984–85

U.S. Department of Commerce
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Transitions in Income and Poverty Status: 1984-85

INTRODUCTION

This report presents data on changes between 1984 and 1985 in the income and poverty status of persons from the complete 1984 panel file of the Survey of Income and Program Participation (SIPP). As some of the concepts used here have not been fully evaluated or previously published by the Census Bureau, this report is in our research and developmental series. For this reason, and because we anticipate producing further reports, comments by other analysts and data users would be particularly welcome. Descriptions of the SIPP program and the 1984 panel file are contained in appendixes A and D, respectively.

The universe in this report includes only persons for whom information was collected in all eight waves of the panel. Unlike the poverty and income data collected in the Current Population Survey (CPS), which does not allow analysis of change in income or poverty status for particular individuals, these SIPP data make it possible to gauge movement along the income distribution and into and out of poverty for the same persons in two consecutive years (that is, between 1984 and 1985). These data enable comparisons to be made between the characteristics of persons who remained poor in both years, those who were able to exit poverty between 1984 and 1985, and those whose income fell below the poverty level in 1985, but were not poor in 1984. Similarly, movements along the whole income distribution between years can be gauged for persons.

SIPP also enables analysis of family composition change during the period of study and its effect on income and poverty status. Persons in families share resources and generally act as an economic unit. In the CPS income reports, the focal reference groups are families and unrelated individuals, so that a person becomes a reference unit only when he or she is not a member of a family. However, the use of the family as a reference group for income estimates covering a 1- or 2-year period presents problems because the composition of families changes over time. In order to incorporate information about family changes over time into our measures of income and poverty, the data in this report are presented for persons rather than families. Persons are characterized by the income and poverty status of their respective family unit based on living arrangements each month during the period of study.

As discussed in the following sections, when looking at income over time, changes in family income or per capita income do not adequately represent changes in a person's economic situation. A person in a four-person family with family income of $20,000 has a per capita income of $5,000. This person is not as well-off as a single individual making $20,000, since he or she must share that income with three other persons. On the other hand, he/she is better off than a single person with an income of $5,000 because household expenses can be shared. For this reason, the income concept used in the income section of this report is an equivalence-adjusted measure. Equivalence-adjusted real family income is calculated for each person using relationships inherent in the poverty thresholds. The poverty thresholds take account of differences in both family size and economies of scale. The poverty thresholds are used to adjust total family income in each month. These family-size adjusted monthly incomes are summed over the 12-month period to obtain equivalence-adjusted family income for each person.

This is the first time the Census Bureau has used the equivalence-adjusted income concept. The concept is used here in order to make it possible to compare changes in income over time, while at the same time taking into account changes in family composition. It is also the first time we have published poverty transition figures from SIPP. The calculation of movement in and out of poverty in the poverty section of this report is not based on the equivalence-adjusted income concept, since poverty thresholds are already "equivalence-adjusted" in that they take family size and composition into account.

Although there are a few differences, the income definition is basically that used in the CPS. It reflects money income only before taxes and does not include the value of noncash benefits such as employer-provided health insurance, food stamps, or Medicaid. Differences in income concept between CPS and SIPP are discussed further in appendix B as well as the Technical Notes section.

The poverty definition used here is the official definition of poverty as determined by the Office of Management and Budget. The official poverty definition consists of a set of annual money income thresholds that vary by family size and composition. Families or individuals with income below their appropriate threshold are classified as below the poverty level in the reference year. The

poverty statistics exclude inmates of institutions, Armed Forces members in barracks, and unrelated individuals under 15 years of age. The poverty thresholds used are updated every year to reflect changes in the Consumer Price Index. The average poverty threshold for a family of four was $10,609 in 1984 and $10,989 in 1985 in SIPP. However, these estimates of persons below the poverty level based on SIPP differ from the official numbers published annually in the Current Population Reports, Series P-60, based on the CPS. Some reasons for these differences are given in the Technical Notes section.

HIGHLIGHTS

(The figures in parentheses denote 90-percent confidence intervals).

Changes in Income

- Over 75 (±0.7) percent of all persons experienced a change in equivalence-adjusted real family income of over 5 percent between 1984 and 1985. Over 35 (±0.8) percent experienced a change of 20 percent or more.
- The elderly were less likely than the general population to experience major shifts in equivalence-adjusted real family income. The proportion of persons 65 years and over whose family income changed less than 5 percent was 41 (±2.8) percent; the comparable figure for the general population was 24 (±0.8) percent.
- A change from living in a married-couple family at the beginning of the period to another family type at the end of the period was associated with declining income for both sexes, but the effect was greater for females of all ages. Sixty-five (±7.1) percent of females leaving a married-couple family experienced a 5-percent-or-more decline in equivalence-adjusted income, while only 47 (±8.5) percent of males experienced a similar decline.
- Women whose marital status changed to divorced over the period saw their equivalence-adjusted family income decline by an average of 10 (±5.8) percent. Men who became divorced during the 24-month period, however, experienced no change in equivalence-adjusted family income.
- Young persons living as unrelated individuals for the entire period had more variable incomes than their elderly counterparts. Of those living as unrelated individuals for the entire period, only 12 (±6.8) percent of those 18 to 24 years old had an income change smaller than 5 percent. Among those 65 years and over, 53 (±5.1) percent had a change smaller than 5 percent.

Changes in Poverty Status

- Although the majority of persons who were poor in 1984 were poor a year later (75.5 ± 2.0 percent), about 1 out of 4 poor persons in 1984 was not poor in 1985.
- About 21.0 percent (±2.0) of persons who were poor in 1985 were not poor in 1984.
- The majority (58.9 ± 5.3 percent) of persons who became poor between 1984 and 1985 were in nonpoor households (those with income above 125 percent of the poverty level) as opposed to near-poor households (those between 100 percent and 124 percent of the poverty level).
- However 21.8 percent (±3.2 percent) of persons in near-poor households in 1984 were poor in 1985, compared with only 1.6 percent (±0.2 percent) of persons in nonpoor households.
- Blacks (20.2 ± 3.1 percent) were slightly less likely to exit poverty between 1984 and 1985 than Whites (26.3 ± 2.6 percent). (The term "exited poverty" refers to persons who were below poverty level in 1984 but above the poverty level in 1985.)
- Young adults (18 to 24 years) were more likely than persons of other ages to exit poverty between 1984 and 1985, with children under 18 and the aged (65 years and older) the most likely to be poor in both years.
- Overall, a larger proportion of persons who had a marital status change exited poverty between 1984 and 1985 than persons with no marital status change during this period (41.5 ± 10.5 percent versus 25.9 ± 2.9 percent).
- About 53.9 (±14.9) percent of poor persons in 1984 who became married, spouse present between 1984 and 1985 were not poor in 1985.
- However, about half (50.1 ± 5.3 percent) of persons who became poor in 1985 were in married-couple families in both 1984 and 1985.
- The majority of adults who exited poverty in 1985 had worked in 1984 (62.7 ± 5.8 percent), with about 1 of 4 increasing their weeks worked between 1984 and 1985.
- Of adults who became poor in 1985, 9.4 (±3.8) percent worked year round, full time in both 1984 and 1985, and an additional 8.3 (±3.6) percent increased their weeks worked during this period.
- For persons who became poor between 1984 and 1985, about 19.3 (±5.1) percent decreased their weeks worked, but at least 17.7 (±5.0) percent increased their weeks worked (or worked year round, full time in both 1984 and 1985). These percentages are not statistically different.

- Although marital status change was more frequently reported for persons who became poor between 1984 and 1985 than the general population or the poor in 1984, only 15.7 (±4.7) percent of persons who became poor reported a change in marital status, and such persons were as likely to have become married spouse present as divorced.

YEAR-TO-YEAR CHANGES IN INCOME: 1984-85

Equivalence-Adjusted Family Income and Reference Unit

The mean family income in 1984 (unadjusted for family size) for persons with a full set of data who were family members over the whole 24-month period was $32,916 (see table A). The mean income in 1984 of persons who were unrelated individuals over the entire 24-month period was $14,504. For persons who spent part of the period as an unrelated individual and part of the period as a family member, mean income was $27,452. The measure of income for these persons combined family income for the months that the person was in a family and individual income when not a family member.

When looking at income change over a 2-year period, it is important to take account of changes in family composition over the same period. To note that a particular family's income declined by 20 percent over the year, without accounting for the fact that 3 of the original 5 family members left after 1 month, leads to misleading conclusions about the well-being of the persons in that family.

Table B shows the extent to which persons changed their family relationship during the 24 months beginning with January 1984 and ending with December 1985. The proportion of persons who were members of a family of a given type during the entire period was 80.4 percent. Another 4.3 percent were family members during the entire period, but experienced a change in family type. The proportion who spent part of the period as a family member and part as an unrelated individual was 6.4 percent. Finally, 8.8 percent of the population spent the entire period as an unrelated individual.

The major result shown in table B is that 10.7 percent of the population experienced a major change in their family relationship during the 24-month period.

Family relationship data for population subgroups are shown in table C. Young persons 18 to 24 years old were more likely than other age groups to experience a change in family relationship. Overall, 6.4 percent of the population spent time both as a family member and as an unrelated individual; the comparable rate was 18.8 percent among persons 18 to 24 years old. Among persons in a family the entire period, Blacks were less likely than Whites to be in a married-couple family each month.

Table A. **Mean 1984 Income by Family Status: Unadjusted for Family Size**

Characteristic	Mean 1984 income	Standard error
FAMILY MEMBER ENTIRE PERIOD		
Total	$32,916	$362
Sex		
Male	33,828	533
Female	32,056	491
Age		
18 to 24 years	35,235	1,269
25 to 44 years	34,047	615
45 to 64 years	37,506	971
65 years and over	25,239	1,363
Race and Hispanic Origin[1]		
White	34,485	398
Black	20,675	321
Hispanic origin	23,608	906
UNRELATED INDIVIDUAL ENTIRE PERIOD		
Total	14,504	500
Sex		
Male	17,905	913
Female	12,198	538
Age		
18 to 24 years	12,257	986
25 to 44 years	19,339	1,011
45 to 64 years	15,087	983
65 years and over	10,925	751
Race and Hispanic Origin[1]		
White	15,063	551
Black	10,565	666
Hispanic origin	12,309	2,219
BOTH FAMILY MEMBER AND UNRELATED INDIVIDUAL ENTIRE PERIOD		
Total	27,452	1,363
Sex		
Male	30,440	1,966
Female	24,319	1,861
Age		
18 to 24 years	30,524	2,398
25 to 44 years	28,477	1,739
45 to 64 years	26,983	5,432
65 years and over	16,346	1500
Race and Hispanic Origin[1]		
White	28,851	1,540
Black	17,220	920
Hispanic origin	19,651	2,215

[1]Persons of Hispanic origin may be of any race.

In order to measure transitions in income while accounting for changes in family size and composition, one could use per capita rather than family income of persons. This would eliminate differences based on family size, but does not take account of economies of scale available to family members living together, arising from sharing of rent and other fixed expenses which allow two people to live more cheaply together than separately.

In terms of per capita income a member of a four-person family with an annual income of $20,000 would have the same economic status as a person living alone

Table B. **Family Relationship During a 24-Month Period: January 1984 Through December 1985**

Family relationship	Number (thous.)	Percent distribution
All persons	222,426	100.0
Member of same type of family during entire period	178,891	80.4
Married-couple family	150,872	67.8
Family with female householder, no spouse present	21,960	9.9
Family member entire period, but family type changed	9,644	4.3
Both a family member and an unrelated individual during period	14,269	6.4
Unrelated individual entire period	19,621	8.8

with an annual income of $5,000. This measure provides a somewhat unrealistic picture of economic status; a more realistic view may be gained by looking at the relationship between family income and that family's poverty threshold. In the example above (based on 1987 income), a single person with $5,000 in income would be in poverty; $20,000 places a four-person family substantially above the poverty threshold for that family (the poverty threshold was $10,609 in 1984).

For the purposes of this report, an equivalence scale based on relative differences in poverty thresholds was used to standardize for family composition changes in order to provide a more accurate picture of year-to-year income transitions. This was accomplished by multiplying each family's monthly income by the ratio of that family's poverty threshold and the poverty threshold for a four-person family.[1] The choice of a four-person poverty threshold as an adjustment base was arbitrary; any other threshold would not change the results presented here. The resulting income figures were then summed across months to yield annual equivalence-adjusted income estimates for 1984 and 1985. The advantage of using an equivalence scale based on poverty thresholds lies in the fact that it allows one to standardize for family size and composition while taking economies of scale into account. As an example of the effect of using poverty thresholds as equivalence scales, under this concept a family of four with an annual income of $20,000 would be equal in economic status to a three-person family with an income of $15,600, a two-person family with an annual income of $12,700, and a person living alone with an income of $9,900.

In terms of income change over time, a person's total family income could decrease while their equivalence-adjusted income remained the same, if there was a decline in family size. For example, a member of a four-person family with total family income of $20,000 in 1984, who in 1985 became a member of a two-person family with total income (adjusted for inflation) of $12,700, would be characterized as having experienced no change in equivalence-adjusted income. Similarly, total family income could increase without a change in equivalence-adjusted income if there was an increase in family size.

There are several limitations associated with the use of poverty thresholds as equivalence scales. In particular, the economies of scale that are implied by differences in poverty thresholds by family size may not be appropriate across the entire income distribution. Additionally, levels of equivalence-adjusted incomes are dependent on the poverty threshold base that is used to adjust the estimates. For example, the use of a three-person rather than four-person poverty threshold as an equivalence-adjustment base would result in different levels of equivalence-adjusted income. Levels of equivalence-adjusted income are useful not as levels per se, but as ways of looking at differences between groups, and are therefore displayed in tables 1 through 5 as indexes rather than dollar figures.

Standardizing family and individual income through the use of a four-person poverty threshold has the effect of inflating the incomes of persons in families with fewer than four members and deflating the incomes of these in families of more than four persons. As a result, the difference between equivalence-adjusted and unadjusted income estimates are largely a function of family size. For example, the differences between equivalence-adjusted and unadjusted mean incomes in 1984 were much larger for persons who were unrelated individuals during the entire 24-month period than those who spent the entire period as family members.

There are other methods of examining income changes over time. Our choice in this report is to use persons as the reference unit and to treat equivalence-adjusted income as an attribute of those persons. In the future we will explore other types of equivalence scales or employ the concept of a longitudinal household as a reference unit. The incomes in this report have been adjusted for changes in the cost of living over this period.[2]

Changes in Equivalence-Adjusted Family Income

Table D shows year-to-year changes in equivalence-adjusted family income for all persons by various characteristics. Overall, persons experienced no change in

[1]This equivalence scale is similar to that used in "Trends in Family Income: 1970-1986," a study by Roberton C. Williams of the Congressional Budget Office, February 1988.

[2]Changes in real income refer to comparisons after adjusting for inflation. The percentage change in prices between 1984 and 1985 was computed by dividing the annual average Consumer Price Index for all urban consumers (CPI-U) for 1984 by the annual average for 1985.

Table C. **Family Relationship During a 24-Month Period, by Selected Characteristics**

Characteristic	Number (thous.)	Family member each month	Member of a married-couple family each month	Member of a family with a female householder, no spouse present, each month	Unrelated individual each month	One or more months as a family member, one or more as an unrelated individual
All persons	222,426	84.8	67.8	9.9	8.8	6.4
SEX						
Male	106,807	85.7	72.2	6.7	7.4	6.8
Female	115,619	83.9	63.8	12.8	10.1	6.0
AGE						
Under 18 years	60,888	98.8	71.6	15.6	0.2	1.0
Under 6 years	20,170	99.9	73.6	13.3	0.1	0.0
18 to 24 years	27,169	74.8	55.4	9.9	6.4	18.8
25 to 44 years	68,003	84.2	70.1	8.0	8.7	7.1
45 to 64 years	43,192	84.3	74.9	6.3	10.7	5.0
65 years and over	23,174	62.0	52.4	8.2	31.1	6.8
75 years and over	8,165	51.3	38.7	9.3	39.8	9.0
RACE AND HISPANIC ORIGIN[1]						
White	189,733	84.5	71.3	6.8	9.0	6.5
Black	26,474	85.4	42.0	31.8	8.6	5.9
Hispanic origin	15,365	91.0	67.2	15.3	4.0	5.0

[1]Persons of Hispanic origin may be of any race.

equivalence-adjusted family income from 1984 to 1985. The estimated change in mean income for all persons over the period (1.2 percent) was not statistically different from zero.

The table also shows an index of 1984 mean equivalence-adjusted income which is the ratio of mean equivalence-adjusted 1984 income for a particular subgroup divided by that for all persons. The index equals 100 for all persons. The index shows that mean equivalence-adjusted income for males is slightly greater than that for females. The indexes are similar because, for men and women in the same family, equivalence-adjusted family income will be identical and because most persons live in families.

Table D shows the percentage of persons who experienced a change in income of under 5 percent, over 5 percent, and over 20 percent. About one-fourth of all persons had relatively stable incomes; that is, their equivalence-adjusted income changed less than 5 percent. Approximately 42 percent of all persons experienced an increase in equivalence-adjusted income of 5 percent or more and 21.2 percent had an increase of 20 percent or more.

Age. Changes in equivalence-adjusted income were different across age groups. The elderly were less likely than the general population to experience major shifts. The proportion of persons 65 years and over whose equivalence-adjusted income changed 5 percent or more was 59 percent; the comparable figure for the general population was 76 percent. Young persons aged 18 to 24 years, many of whom were leaving their parental home, had the least stable family income; 83 percent experienced a change of 5 percent or more.

Family type and marital status. While, overall, persons experienced small increases in equivalence-adjusted income, certain types of persons experienced significant declines between 1984 and 1985. These changes are associated with other important changes in persons' lives. For example, significant changes in equivalence-adjusted income were experienced by people who changed family type. Further, income changes associated with changes in family type were different for women than for men.

As shown in table 1, a change in family type from a married-couple family at the beginning of the 24-month period to another family type at the end of the period was associated with declining income for both sexes, but the effect was greater for women. Sixty-five percent of women leaving a married-couple family experienced a 5-percent-or-more decline in equivalence-adjusted family income, while 47 percent of men experienced a similar decline. On the other hand, about 65 percent of

the women and men who became part of a married-couple family increased their equivalence-adjusted income 5 percent or more.

Divorce is also associated with changes in equivalence-adjusted income and, again, these changes are more pronounced for women than for men (see table 1). Women who became divorced over the period experienced, overall, a 10-percent decline in equivalence-adjusted income. However, men who became divorced experienced no change in income.

Family status. Table 2 examines the relationship between changes in equivalence-adjusted family income and changes in family status over the 24-month period. Relatively large year-to-year changes in income were quite common even for persons who were family members for the whole period. About one-third of such persons experienced a decline of 5 percent or more in equivalence-adjusted family income and 14 percent experienced a decline of 20 percent or more. On the other hand, 43 percent experienced an increase of 5 percent or more and 21 percent experienced an increase of 20 percent or more.

For persons who were unrelated individuals during the entire period there were some notable differences between the sexes and among age groups in the variability of income. The income of males, for example, was more variable than the income of females. Roughly 30 percent of males had an income change smaller than 5 percent, compared with 41 percent of females. Young unrelated individuals had more variable incomes than the elderly. Only 12 percent of persons 18 to 24 years old had an income change smaller than 5 percent and 63 percent had an increase of 5 percent or more. Among those 65 years and over, 53 percent had a change smaller than 5 percent and only about 16 percent had a change of 20 percent or more in either direction.

As would be expected, the income of persons who spent part of the period as family members and part as unrelated individuals was less stable than the income of persons who did not change family status over the period. Only about 12 percent of the persons in this group experienced an income change less than 5 percent. The comparable percentage among those who did not change family status was 24 percent. Young persons leaving home probably made up a sizable part of this group. In fact, persons 18 to 24 years old accounted for 36 percent of the total group of 14.3 million persons who spent part of the period as family members and part as unrelated individuals. Older persons who spent part of the period as a family member and part as an unrelated individual were likely to experience income declines. For persons 65 years of age and older in this group, 56 percent experienced a decline in family income of 5 percent or more.

Table D. **Year-to-Year Changes in Equivalence-Adjusted Family Income: All Persons**

Characteristic	Total (thous.)	Percent of persons with family income that—					Change in mean income, 1984-85		1984 Equivalence-adjusted family income	
		Declined 5 percent or more		Change less than 5 percent	Increased 5 percent or more					
		Total	20 percent or more		Total	20 percent or more	Percent	Standard error	Index	Standard error
All persons	222,426	33.6	14.3	24.1	42.3	21.2	1.23	0.82	100	1.60
SEX										
Male	106,807	33.4	14.4	23.8	42.8	21.5	1.56	1.12	105	2.04
Female	115,619	33.8	14.3	24.4	41.8	20.9	0.90	1.21	96	1.88
AGE										
Under 18 years	60,888	33.2	14.4	22.3	44.6	23.0	2.13	1.04	79	1.68
Under 6 years	20,170	35.5	16.3	21.1	43.4	22.6	0.40	2.33	73	2.61
18 to 24 years	27,169	36.7	18.0	16.6	46.7	26.7	-0.02	1.88	100	3.36
25 to 44 years	68,003	33.6	14.4	22.6	43.8	21.4	1.59	0.96	105	2.27
45 to 64 years	43,192	34.6	14.3	24.6	40.8	20.0	1.64	2.61	126	3.62
65 years and over	23,174	29.2	9.7	41.2	29.6	11.6	-1.50	2.91	92	4.22
75 years and over	8,165	26.6	8.6	42.0	31.3	11.4	1.66	3.04	80	4.74
RACE AND HISPANIC ORIGIN[1]										
White	189,733	33.5	14.3	24.6	41.9	20.3	0.84	0.90	106	1.75
Black	26,474	34.9	14.5	21.0	44.1	25.7	3.63	0.72	58	1.11
Hispanic origin	15,365	32.1	14.1	22.1	45.8	25.2	3.61	3.24	66	2.73

[1]Persons of Hispanic origin may be of any race.

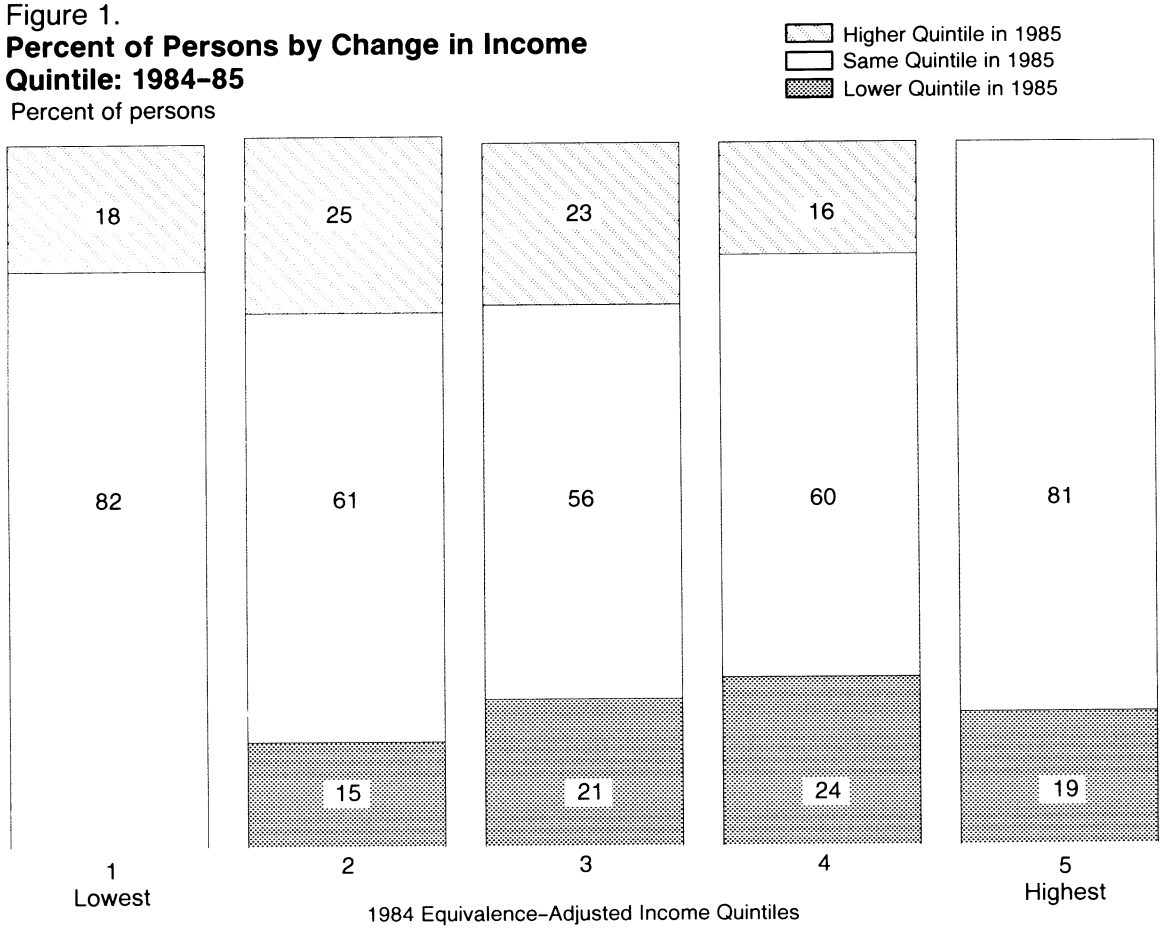
Work experience. As one might expect, the relationship between changes in work experience and changes in income is strong (see table 3). Again, there are differences between men and women. Among male workers who no longer worked year round, full time, 41 percent lived in families with a loss of 20 percent or more in equivalence-adjusted income. The comparable percentage for women with the same change in labor force activity was 30 percent. This change from year-round, full-time worker in 1984, to not year round, full time in 1985, was associated with a decline in average equivalence-adjusted income of 14 percent for males and 7 percent for females. Becoming a year-round, full-time worker resulted, on average, in an 11-percent equivalence-adjusted income increase for males and a similar increase for females. For both male and female workers with this change in labor force activity, slightly over 60 percent had an income gain of 5 percent or more and about 41 percent had a gain of 20 percent or more.

Participation in assistance programs. Changes in income are also associated with changes in participation in major assistance programs. These programs were Aid to Families with Dependent Children (AFDC), general assistance, Supplemental Security Income, food stamps, Medicaid, and public or subsidized housing (see table 4). Persons who resided in households that participated in any of these programs the entire 24-month period had more stable income than those who did not. Over 30 percent of program participants had income changes of less than 5 percent; the comparable percentage for nonparticipants was 25 percent.

Changes in participation status were associated with changes in income. Of those who started as participants but became nonparticipants, a full 63 percent experienced an increase in equivalence-adjusted family income of 5 percent or more, and 47 percent experienced an increase of 20 percent or more. Conversely, 50 percent of individuals who began as nonparticipants but ended as participants experienced a decline in income of over 5 percent from 1984 to 1985.

Income Quintiles. A somewhat different perspective on income change can be gained by looking at the number of persons experiencing changes in income quintiles between 1984 and 1985. This was accomplished by arranging persons into quintiles based on equivalence-adjusted family income in 1984 and 1985, and then examining their movement between quintiles over this time period. Slightly over 18 percent of persons who were in the lowest income quintile in 1984 moved to a higher quintile in 1985 (see figure 1 and table 5). A

Figure 1.
Percent of Persons by Change in Income Quintile: 1984–85

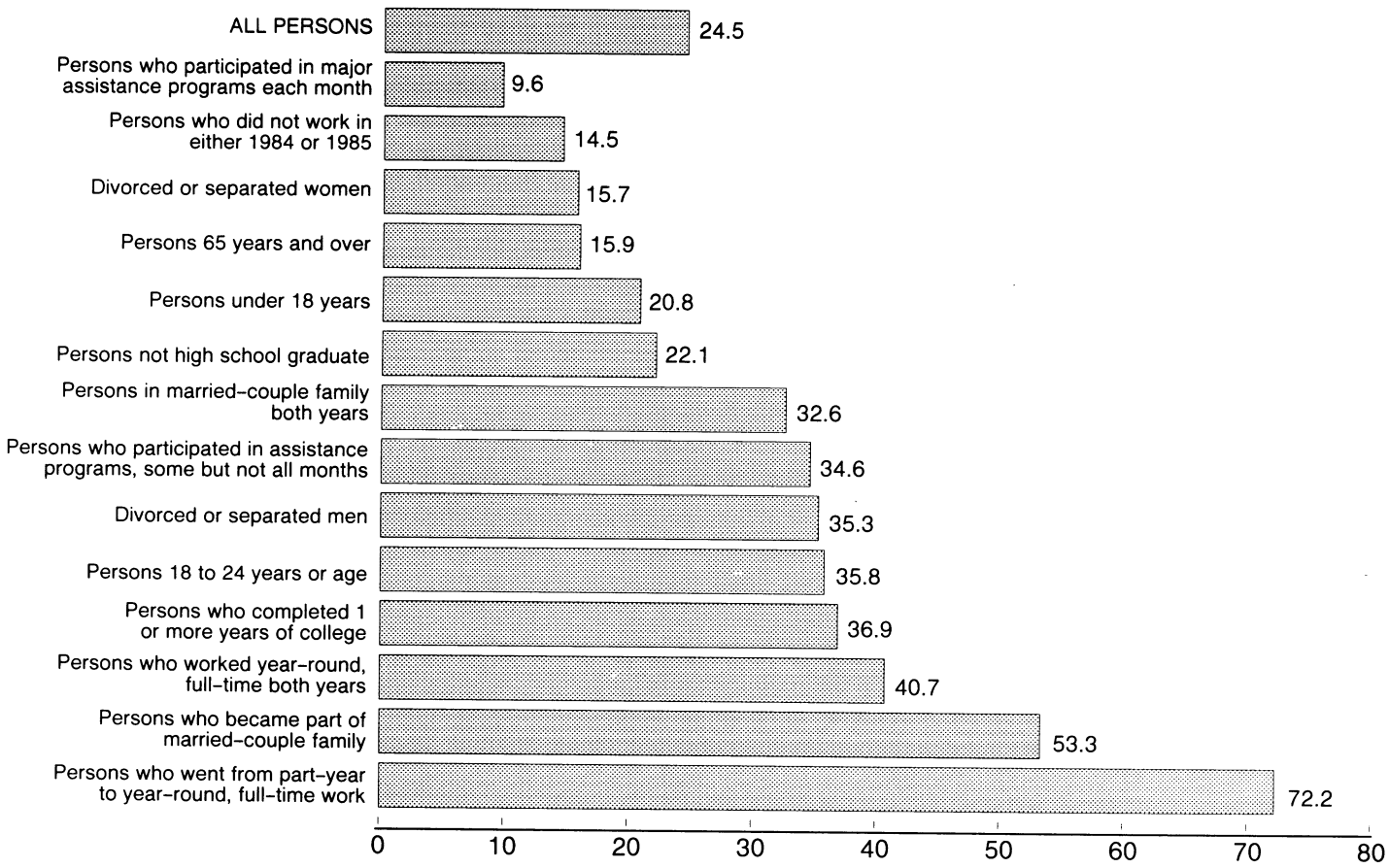


similar percentage of persons in the highest quintile in 1984 fell into a lower quintile in 1985. Sixty percent of persons in the second and fourth quintile remained in the same quintile for the period, while 55 percent of those in the middle quintile in 1984 were in the middle quintile as well in 1985. Of that middle group, about 20 percent moved up, while the same proportion fell into a lower quintile over the period. This middle group was the least stable. The second and fourth quintile show a centralizing tendency, with larger percentages of persons moving toward the middle quintile than in the other direction. More persons in the second quintile in 1984 moved to a higher quintile in 1985 than moved down to the lowest. People in the fourth quintile, likewise, were more likely to move down than they were to join the highest fifth quintile.

MOVEMENT INTO AND OUT OF POVERTY: 1984-85

Although the majority of the poor in 1984 were poor in 1985 (75.5 percent), about 1 out of every 4 poor persons in 1984 was not poor in 1985 (see figure 2 and table E). Conversely, 21 percent of persons below the

Figure 2.
Poverty Exit Rates in 1985 for Persons Who Were Poor in 1984, by Selected Characteristics



These poverty exit rates were computed by dividing the number of persons who were above the poverty level in 1985 but were poor in 1984 by the total number of persons who were poor in 1984, with the characteristic shown.

poverty level in 1985 had not been poor in 1984.[3] In this 2-year period, 20 percent more persons were exposed to poverty level incomes than in 1984 alone.[4]

Distance Above the Poverty Level

Not only is it important to know how long a household's income has been above or below the poverty level to get a notion of the persistence of their economic status, but also how far their income has been from their respective threshold when they were above the poverty level. The gauge of distance from the poverty level that is used here is a ratio of family income (or personal income in the case of unrelated individuals) to the poverty level. A ratio between 100 and 124 percent of the appropriate poverty threshold is referred to in the text and tables as "near-poor" and a ratio of 125 percent or more is referred to as "nonpoor." The term "above the poverty level" refers to the sum of these two groups.

The majority of persons who became poor between 1984 and 1985 were in nonpoor households (58.9 percent) in 1984 as opposed to near-poor households (the remaining 41.1 percent). However, 21.8 percent of persons in near-poor households in 1984 were in poor households in 1985, while only 1.6 percent of persons in nonpoor households in 1984 became poor by 1985. For persons able to move out of poverty between 1984 and 1985, about 43.9 percent were near-poor and 56.1 percent were nonpoor in 1985.[5] These data would seemingly indicate that a substantial economic change or household composition change rather than a minor fluctuation in income was the cause of the poverty status change for the majority of both persons who entered and exited poverty between 1984 and 1985. The term "exited poverty" refers to persons who were below the poverty level in 1984 but above the poverty level in 1985.

Differences in Movement by Selected Characteristics

Race. The Black poor were less likely to exit poverty than were Whites between 1984 and 1985. The exit rate for persons of Hispanic origin was not statistically different from that for Whites or Blacks.[6] About 26.3 percent of Whites who had been poor in 1984 were able to exit the poverty ranks in 1985, compared with 20.2 percent of Blacks and 20.8 percent of Hispanics. Overall, 10.7 percent of the White population had income below the poverty level in the 1984-85 period (compared with 8.7 percent in 1984 alone), 34.4 percent of Blacks in the 2-year period (compared with 30.4 percent in 1984) and 27.7 percent of Hispanics in 1984-85 (compared with 24.6 percent in 1984 alone).

Age. The elderly and children were considerably more likely to remain poor between 1984 and 1985 than other ages. Young adults, on the other hand, were the most likely age group to be in households which moved from poor to above poverty level incomes between 1984 and 1985. About 79 percent of children under 18 years who were poor in 1984 were still poor in 1985, as were 84.1 percent of persons 65 years of age and older, a figure not significantly different from that for children. Only 64 percent of young adults 18 to 24 years who were poor in 1984 were poor in 1985. Young adults were also more likely to go from poor to nonpoor (as opposed to near-poor) status than other ages. The relatively transient nature of the poverty of young adults as opposed to other groups is tied to such life cycle events as new household formation, completion of schooling and first career-oriented employment, all of which can strongly affect income (and, their appropriate poverty threshold) and the permanence of their poverty status.

[3]Some of these persons became poor or escaped poverty not because of a change in their personal income but because of a change in their family status, or a combination of both. For example, a four-person family with total income of $10,000 in 1984 would have been poor. If one of the family members who earned $6,000 left the family to live by him or herself, he or she would not be poor in 1985 if their earnings did not change, while the rest of the family members in 1984—assuming no other income change—would still be poor. Changes in family composition are discussed in more detail in the section on family status.

[4]Whether the poverty level incomes of these persons will continue beyond a 2-year period cannot be assessed from SIPP data. In addition, we do not know when the poverty spell for many of these persons began (except those who became poor between 1984 and 1985). The length of the reference period is an important issue in the analysis of poverty statistics. Some studies attempt to look at the lifetime experience of the population while other recent studies look at very short time periods. Based on data from the University of Michigan's Panel Study of Income Dynamics, an ongoing longitudinal survey in operation since 1968, about one of four persons in the U.S. was below the poverty level at some time in the 1969-78 period. See Greg J. Duncan, *Years of Poverty, Years of Plenty*. University of Michigan 1984. About 21.8 percent of the population had income below the poverty level in 1 to 7 of the 10 years of study, and 2.6 percent had poverty level income in eight or more years of the 10-year period. Other studies have looked at poverty status on a monthly basis (using data from the SIPP) since eligibility for means tested transfer programs like Aid to Families With Dependent Children (AFDC) or food stamps are based on income (as well as other criteria) for periods of considerably less than a year. Using data from the 1984 SIPP panel file, Ruggles found that 30 percent of persons experienced at least one month with income below the poverty level during a 16-month period. See Patricia Ruggles, *Short Term Fluctuations in Income and Their Relationship to the Characteristics of the Low Income Population*. Survey of Income and Program Participation working paper No. 8802, June 1988.

[5]The 56.1 percent who exited poverty to nonpoor households was not significantly different from the 58.9 percent of persons entering poverty who were in nonpoor households in 1984. The 43.9 percent who exited poverty to near-poor households was not different from the 41.1 percent of persons entering poverty in 1985 who were in near-poor households in 1984.

[6]Persons of Hispanic origin may be of any race.

Table E. **Age, Race, Marital Status, and Educational Attainment of Persons Exposed to Poverty Level Income in 1984 or 1985 by Whether Their Poverty Status Changed Between 1984 and 1985**

(Numbers in thousands)

Characteristic	Below the Poverty Level in 1984				Above the Poverty Level in 1984, Below the Poverty Level in 1985		
	Total	Still poor in 1985	Near poor in 1985	Nonpoor in 1985	Total	Near poor in 1984	Nonpoor in 1984
Total	25,556	19,288	2,751	3,517	5,114	2,104	3,010
Percent	100.0	75.5	10.8	13.8	100.0	41.1	58.9
RACE AND HISPANIC ORIGIN[1]							
White	100.0	73.7	11.4	14.9	100.0	43.8	56.2
Black	100.0	79.8	8.8	11.4	100.0	32.9	67.1
Hispanic origin	100.0	79.2	12.8	8.1	100.0	56.0	44.0
AGE							
Under 18 years	100.0	79.2	9.5	11.4	100.0	39.8	60.2
18 to 24 years	100.0	64.2	12.5	23.3	100.0	34.5	65.5
25 to 44 years	100.0	71.7	10.8	17.5	100.0	37.4	62.6
45 to 64 years	100.0	73.9	13.7	12.4	100.0	43.3	56.7
65 years and over	100.0	84.1	10.4	5.5	100.0	68.3	31.7
MARITAL STATUS							
Persons 18 years and over	14,733	10,721	1,726	2,286	3,373	1,411	1,962
Percent	100.0	72.8	11.7	15.5	100.0	41.8	58.2
No change in marital status	13,475	9,986	1,527	1,962	2,842	1,246	1,596
Percent	100.0	74.1	11.3	14.6	100.0	43.8	56.2
Married spouse present	100.0	66.5	14.4	19.1	100.0	48.7	51.3
Married spouse absent	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Widowed	100.0	85.2	8.7	6.1	100.0	68.2	31.8
Divorced	100.0	79.5	10.9	9.6	(B)	(B)	(B)
Separated	100.0	86.0	6.9	7.1	(B)	(B)	(B)
Never Married	100.0	73.1	9.8	17.1	100.0	31.2	68.8
Change in marital status	1,255	734	198	323	531	165	366
Percent	100.0	58.5	15.8	25.7	100.0	31.1	68.9
Became:							
Married, spouse present	100.0	46.1	19.1	34.8	(B)	(B)	(B)
Married, spouse absent	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Widowed	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Divorced	100.0	71.2	10.2	18.6	(B)	(B)	(B)
Separated	100.0	76.7	13.8	9.5	(B)	(B)	(B)
EDUCATIONAL ATTAINMENT[2]							
Persons: 18 years and over	14,733	10,721	1,726	2,286	3,373	1,411	1,962
Percent	100.0	72.8	11.7	15.5	100.0	41.8	58.2
Not a high school graduate	100.0	77.9	11.8	10.3	100.0	57.5	42.5
High school graduate, no college	100.0	67.3	11.9	20.8	100.0	35.2	64.8
Completed one or more years college	100.0	63.1	11.0	25.9	100.0	25.8	74.2

B Base less than 200,000
[1]Persons of Hispanic origin may be of any race.
[2]Based on years of school completed at first interview.

For most age groups, for persons who became poor in 1985, the majority of their members had been nonpoor in 1984 as opposed to near-poor, but for the elderly the majority (68.3 percent) had been near-poor in 1984.

Marital status. About 8.5 percent of adults 18 years and over who were poor in 1984 experienced a change in marital status between 1984 and 1985. Overall, a larger proportion of persons with a marital status change exited poverty between 1984 and 1985 than those with no change (41.5 percent versus 25.9 percent), even though it is doubtful some of these changes were viewed as desirable (e.g. becoming widowed or divorced).

Regardless of whether it represented a marital status change or not, the 1984 poor who were married, spouse present, were more likely to have incomes above the poverty level in 1985 than other marital statuses. For those who were married spouse present in both years, 33.5 percent were above the poverty level in 1985; for those who became married spouse present between 1984 and 1985, 53.9 percent were able to exit poverty in 1985.

Divorced or separated women were considerably less likely to have exited poverty than divorced or separated men. Only 15.7 percent of poor women who were (or became) divorced or separated exited compared with 35.3 percent of men.

Although in a 2-year period it affects a relatively small proportion of the adult population, marital status change was about twice as common among persons who became poor in 1985 than among persons who were already poor in 1984. About 15.7 percent of the persons who were not poor in 1984, but became poor in 1985 had a marital status change in 1985. This figure was significantly higher than the 8.5 percent of adults who were poor in 1984 and had a marital status change in 1985. For persons who became poor in 1985 and had a marital status change, about 32.0 percent became divorced. However, a similar proportion (32.8 percent) became married spouse present. Thus marriage per se did not necessarily assure continued prosperity.

Family status. In the March Current Population Survey (CPS), the Census Bureau collects information on the amount of income received by each person during January through December of the previous year. The calculation of family income, and thus poverty status, in the CPS assumes that family members living together in March existed as a unit throughout the previous calendar year. This, of course, is not necessarily true: A couple could have married or had a child in the January or February preceding the March survey, for example. Using the data from SIPP in this report, we are able to determine the poverty status of each person based on their actual living arrangements each month during the period of study. We are then able to compare changes in poverty status of persons who did or did not have a change in family status during the year.

About 11.4 percent of persons who were poor in 1984 had a change in family status between 1984 and 1985.[7] Of this group, 23.6 percent went from a married couple to another family type, 7.7 percent went from a member of a married-couple family to living alone or with nonrelatives only, 29.6 percent changed from an "other family" member to a member of a married-couple family, and 10.4 percent changed from a member of an "other family" to an unrelated individual. An additional 15.4 percent changed from an unrelated individual to a member of a married-couple family and 13.4 percent from an unrelated individual to a member of a family other than the married-couple type (see table 6 and table F).[8]

Persons who were poor in both years were less likely to have experienced a family status change (9.2 percent) than 1984 poor persons who became near-poor (15.7 percent) or nonpoor in 1985 (19.8 percent). The latter two figures are not statistically different from each other.

About 1 of every 3 (32.6 percent) poor persons in 1984 who were in married-couple families at both dates (first and last interview) were able to exit poverty in 1985. This is a larger proportion than persons in other stable living arrangements: only 14.7 percent of comparable persons in other family types and 17.2 percent of persons who were unrelated individuals at both dates went from poor to not poor in the 1984-85 period. The latter two figures were not statistically different from each other. About half (53.3 percent) of poor persons who became part of a married-couple family were able to exit poverty in 1985, compared with the 32.6 percent of persons in married-couple families at both dates mentioned above.

Family status change was more frequent among persons who became poor in 1985 (21.8 percent) than among persons who were already poor in 1984 (11.4 percent) or persons who were nonpoor in both years (8.7 percent). About half (50.1 percent) of persons who became poor in 1985 were in married-couple families at both dates, a proportion comparable to that of persons who exited poverty in 1985.

Educational attainment. The majority (57.9 percent) of persons 18 years and over who were poor in 1984 had not completed high school at the beginning of the survey period. Such persons were more likely to remain poor in 1985 than persons with more education. About 77.9 percent of the poor who were not high school graduates were still poor in 1985, compared with 67.3 percent who had completed high school but no college, and 63.1 percent of the 1984 poor who had completed one or more years of college. The latter two figures were not statistically different from each other. Furthermore, persons with a high school education or more who did exit poverty were more likely to move to nonpoor than near-poor status than were those without a high school diploma. However, many persons who had not completed high school did exit poverty: 46.9 percent of persons who moved from below the poverty level to above the poverty level between 1984 and 1985 had not completed high school.

[7]Change in family status is based on first and last interview. It should be noted that this underestimates the number of persons with any change in household and family composition and the extent of change since a person could have undergone several family status changes in the two intervening years—for example, from an unrelated person to a married-couple family and then back to an unrelated person. As another example, a young adult could have been a member of his or her parental married-couple household at first interview but left home, gotten married and become a member of their own married-couple family at last interview. This person would have been designated as having no family status change (e.g. married-couple family member at both dates) in this report.

[8]In this paragraph the differences between the following percentages were not statistically significant: 23.6 percent and 29.6 percent; 23.6 percent and 15.4 percent; 7.7 percent and 10.4 percent; 7.7 percent and 13.4 percent; 10.4 percent and 15.4 percent; 10.4 percent and 13.4 percent; and 15.4 percent and 13.4 percent.

Table F. **Family Status, Work Experience, and Program Participation Status of Persons Exposed to Poverty Level Income in 1984 or 1985 by Whether Their Poverty Status Changed Between 1984 and 1985**

(Numbers in thousands)

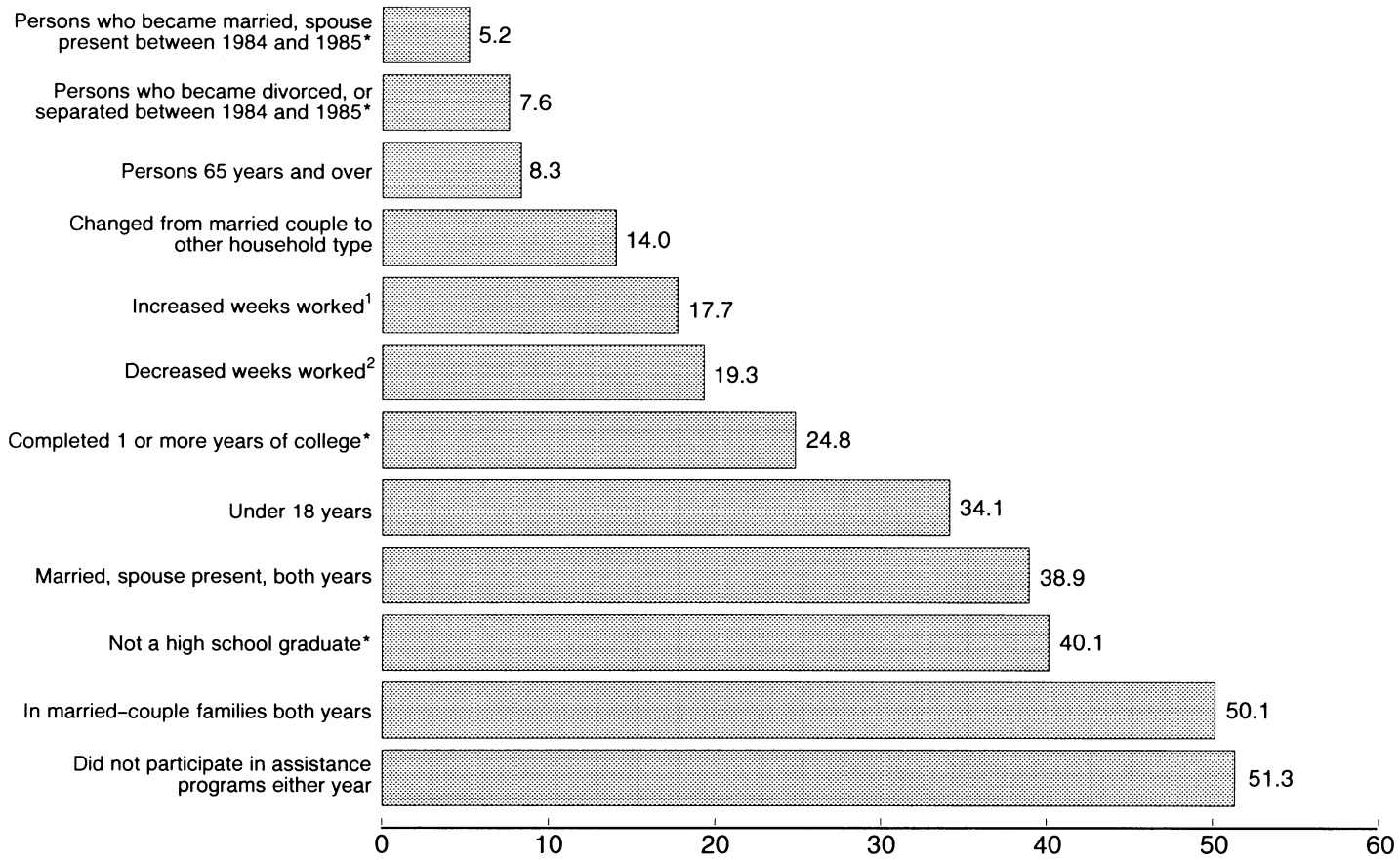
Characteristic	Below poverty level in 1984				Above poverty level in 1984, Below the poverty level in 1985		
	Total	Still poor in 1985	Near-poor in 1985	Nonpoor in 1985	Total	Near-poor in 1984	Nonpoor in 1984
FAMILY STATUS							
Total persons	25,556	19,288	2,751	3,517	5,114	2,104	3,010
Percent	100.0	75.5	10.8	13.8	100.0	41.1	58.9
No change between '84-'85	100.0	77.3	10.2	12.4	100.0	45.9	54.1
In married-couple family, both dates	100.0	67.4	13.5	19.1	100.0	47.0	53.0
In other family type, both dates	100.0	85.3	7.9	6.8	100.0	43.8	56.2
Unrelated individual, both dates	100.0	82.8	7.7	9.5	100.0	44.2	55.8
Change between '84-'85	100.0	61.1	14.8	24.0	100.0	24.2	75.8
From married couple to other family type	100.0	71.1	8.3	20.6	100.0	21.8	78.2
From married couple to unrelated individual	100.0	79.4	11.2	9.4	100.0	12.9	87.1
From other family to married couple	100.0	48.3	25.5	26.3	(B)	(B)	(B)
From other family to unrelated individual	100.0	68.5	16.6	14.9	100.0	18.1	81.9
From unrelated individual to married-couple family	100.0	43.6	15.7	40.7	(B)	(B)	(B)
From unrelated individual to other family type	100.0	76.0	2.3	21.6	(B)	(B)	(B)
WORK EXPERIENCE							
Persons 18 years and over	14,727	10,717	1,725	2,285	3,372	1,411	1,961
Percent	100.0	72.8	11.7	15.5	100.0	41.8	58.2
Worked year round, full time 1984	100.0	63.2	12.7	24.2	100.0	33.3	66.7
Worked year round, full time 1985	100.0	59.2	11.3	29.5	100.0	47.3	52.7
Worked, not year round, full time 1985	100.0	73.7	16.3	10.0	100.0	16.2	83.8
Did not work 1985	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Worked, not year round, full time 1984	100.0	58.4	15.4	26.2	100.0	32.7	67.3
Worked year round, full time 1985	100.0	27.7	15.8	56.4	100.0	26.7	73.3
Worked, not year round, full time 1985	100.0	61.0	16.8	22.1	100.0	29.9	70.1
Did not work 1985	100.0	75.9	8.7	15.4	100.0	41.9	58.1
Did not work in 1984	100.0	82.5	9.4	8.1	100.0	57.4	42.6
Worked year round, full time 1985	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Worked, not year round, full time 1985	100.0	62.5	18.6	18.8	100.0	45.6	54.4
Did not work 1985	100.0	85.5	8.1	6.5	100.0	59.6	40.4
PARTICIPATION IN MAJOR ASSISTANCE PROGRAMS '84-85[1]							
Total persons	25,556	19,288	2,751	3,517	5,114	2,104	3,010
Percent	100.0	75.5	10.8	13.8	100.0	41.2	58.8
No change	100.0	79.6	9.0	11.4	100.0	42.6	57.4
Participated each month	100.0	90.4	7.1	2.6	100.0	55.6	44.4
Participated no months	100.0	60.8	12.4	26.8	100.0	39.4	60.6
Change in status	100.0	65.4	15.0	19.6	100.0	38.6	61.4
One change	100.0	63.1	17.0	19.9	100.0	44.6	55.4
Participated in 1/'84	100.0	50.3	22.3	27.4	100.0	70.7	29.3
Did not participate 1/'84	100.0	86.9	7.1	6.0	100.0	34.0	66.0
Two or more changes	100.0	67.1	13.6	19.3	100.0	34.6	65.4
Participated in 1/'84	100.0	70.5	12.8	16.8	100.0	28.6	71.4
Did not participate 1/'84	100.0	61.5	15.0	23.6	100.0	37.4	62.6

B Base less than 200,000

[1]Major programs as defined here include AFDC, General Assistance, SSI, food stamps, Medicaid, and public or subsidized housing.

Unlike the poor in 1984, the majority of persons who moved from above the poverty level in 1984 to below the poverty level in 1985 were high school graduates (59.9 percent), with one out of four having completed some college (see figure 3). There were, however, large differences in educational distribution between the near-poor in 1984 who became poor in 1985 (whose distribution resembled that of the poor) and nonpoor in 1984 who became poor in 1985: only 44.8 percent of the near-poor in 1984 were high school graduates, compared with 70.7 percent of the nonpoor (31.6 percent of whom had completed some college).

Figure 3.
Persons Who Became Poor in 1985 Who Were Not Poor in 1984: Percent With Selected Characteristics



* Percent based on persons 18 years and over.
1 Or worked year-round, full-time both years. See text for definition.
2 See text for definition.

Work experience in 1984-85. The figures presented on work experience are restricted to persons 18 years and over. About 27.2 percent of persons of this age who were poor in 1984 exited poverty in 1985. The majority of these adults who exited poverty in 1985 had worked in 1984 (62.7 percent) but only 10.1 percent worked year round, full time in 1984 and only 8.1 percent worked year round, full time in both years. About one-fourth of these adults (23.9 percent) who exited poverty increased their weeks or hours worked, either by changing from not working to working or from working less than year round, full time to year round, full time.[9] About 27 percent of the adults who exited poverty in 1985 did not (themselves) work in either year. Their exit from poverty could be due to the increased weeks worked/earnings of another family member, a change in family composition, receipt of income other than earnings, or a combination of these variables. Persons who remained poor in both years were less likely to have worked than persons who were able to exit poverty between 1984-85; 59.6 percent of persons who remained poor in both years did not work in 1984 or 1985, compared with 34.9 percent of persons who exited to a near-poor level and 21.2 percent who became nonpoor.

Of the adults who were not poor in 1984 but became poor in 1985 about 9.4 percent worked year round, full time in both 1984 and 1985, and an additional 8.3 percent increased their weeks or hours worked (from nonworker to worker or from less than year round to year-round, full-time worker). About 7.7 percent had worked year round, full time in 1984 but worked less than year round, full time in 1985, 32.1 percent worked

[9]This is an underestimate of the proportion with increased weeks and/or hours worked since it excludes increases within category — for example, an increase from working 10 weeks to working 30 weeks.

but less than year round, full time in both 1984 and 1985, 11.6 percent worked less than year round in 1984 but did not work in 1985, and about 30.9 percent did not work in either year.[10]

Participation in assistance programs. The data in table 6 show whether or not persons participated in major assistance programs by poverty status in 1984 and 1985. "Major assistance programs" were defined to include Aid to Families With Dependent Children (AFDC), general assistance, Supplemental Security Income, food stamps, Medicaid and public or subsidized housing.

About 25.9 percent of persons who were poor in 1984 did not receive any assistance from these programs in either 1984 or 1985, while 45.2 percent received assistance from one or more of these programs in each month during the 1984-85 period. The remaining 29.0 percent of the 1984 poverty population were in households that participated in a program for part but not all of the period, the majority fluctuating at least twice between participation and nonparticipation.[11] (The 29.0 percent figure was not statistically different from the 25.9 percent.)

About 49.7 percent of persons (with only one change in recipiency status) who received benefits in January 1984 but ceased to receive benefits at some later time in 1984-1985 were able to exit poverty in 1985. About 9.6 percent of those who received benefits each month in 1984-85 exited poverty in 1985, as did 39.2 percent of persons who received no benefits in any month.

For persons who became poor in 1985 but were not poor in 1984, about 12.7 percent received benefits in all months in the 1984-85 period, 51.3 percent received no benefits in any month, and the remaining 36.1 percent participated in a program for part but not all of the 1984-85 period. The fact that nonpoor persons participated in assistance programs is not evidence of errors made in operations of these programs, (or in these SIPP data). Program eligibility criteria vary considerably, some using income guidelines above 125 percent of the poverty level.

TECHNICAL NOTES

Computation of equivalence-adjusted real family income in this report and comparison with CPS estimates. Income data are collected in the CPS in the March supplement. The data refer to income received in the preceding calendar year. At the time of the interview information on family composition is obtained. Subsequent calculations of family income are based on the assumption that family composition at the time of the interview was unchanged over the previous year.

In the SIPP, however, information on both income and family composition are obtained for each month. These data are collected in each wave for the previous 4-month period.

For the income section of this report, monthly family income was adjusted for changes in family composition on a monthly basis over the 24 month period under examination. Each person's family income was adjusted using an equivalence scale, which was the ratio of the monthly poverty threshold for a family of four to the monthly poverty thresholds based on that person's family composition. Monthly adjusted income figures were summed over 12-month periods to obtain annual equivalence-adjusted family income for each person for 1984 and 1985.

These estimates can be compared to similarly calculated estimates from the CPS (table G). The CPS estimates of equivalence-adjusted family income were obtained by multiplying each person's family income by a factor determined by dividing the annual poverty threshold for a family of four by that person's annual poverty threshold for the entire year based on family composition at the time of the interview. In general, the estimates are relatively close for both years.

Table G. **Comparison of CPS and SIPP Estimates of Equivalence-Adjusted Family Income: 1984**

Selected characteristics	SIPP		CPS	
	Mean	Standard Error	Mean	Standard Error
SEX				
Male	$37,522	$598	$36,364	$123
Female	34,343	552	33,806	115
RACE AND HISPANIC ORIGIN[1]				
White	37,994	457	37,008	94
Black	20,831	319	21,539	171
Hispanic origin	23,740	942	22,980	277
AGE				
Under 18 years	28,394	511	27,405	124
18 to 24 years	35,701	595	32,500	217
25 to 44 years	37,783	363	37,443	144
45 to 64 years	45,116	626	44,696	240
65 years and over	32,866	770	33,078	272

[1]Persons of Hispanic origin may be of any race.

Computation of poverty status in SIPP and comparison with CPS estimates. Official poverty data in the CPS are based on questions on income received in the preceding calendar year which are asked in the March

[10]In this paragraph the difference between the following percentages were not statistically significant: 9.4 percent and 8.3 percent; 9.4 percent and 7.7 percent; 9.4 percent and 11.6 percent; 8.3 percent and 7.7 percent; 8.3 and 11.6 percent; 7.7 percent and 11.6 percent; and 32.1 percent and 30.9 percent.

[11]This fluctuation could have involved assistance from two or more programs rather than the same program.

supplement. Family composition is fixed as of the survey date and assumed to be constant over the previous year (in the case of 1984 poverty status, the data were collected in March 1985). In this report using the 1984 SIPP panel, income information was collected for each month. Family composition data was updated on a monthly basis also. A person's annual poverty status was determined by comparing the sum of the person's monthly incomes (family income or unrelated individual income as appropriate) against the sum of the appropriate monthly poverty thresholds. If the sum of the monthly incomes was below the sum of the monthly poverty thresholds, the person was classified as below the poverty level for the year.

Poverty estimates vary considerably between the CPS and SIPP. An earlier study showed that an approach that adjusts poverty for changes in household composition results in a poverty estimate that is about 5 percent lower than an estimate based on an approach that does not adjust for changes in household composition.[12]

Other than treatment of changes in household composition, there are several other differences between CPS and SIPP that should be noted in comparing results from the two surveys. First, the shorter recall period in SIPP results in more accurate data on the receipt of transfer income. This difference would tend to result in SIPP poverty estimates that are lower than CPS poverty estimates. A second difference concerns the way in which self-employment is recorded. It is possible to record negative amounts in CPS, but not in SIPP. This difference would also tend to result in SIPP estimates of poverty that are lower than CPS estimates. However, wage and salary income estimates tend to be lower in SIPP than in the CPS. It is possible that persons tend to report net rather than gross wage and salary income in the SIPP. This would tend to result in SIPP estimates of poverty that are higher than the CPS estimates for those persons/families with wage and salary income. It is also possible because of its more frequent interviews that SIPP has better reporting of intermittent income, than does the CPS. If such income tends to cluster at the lower end of the earnings distribution, this would tend to lower the number of poor.

The data file used in this report (see appendix D for a description) is based on persons for whom a complete set of observations was obtained over a 2 1/2 year period. These persons were weighted to reflect the total population as of November 1983. The total weighted number of persons used here will fall short of the independent estimates of the total population because some persons with positive weights are excluded from the analysis, namely, those who died or were institutionalized.

Tables H and I compare selected poverty rates and year-to-year changes in these rates from the March 1985 and 1986 CPS (in which 1984 and 1985 poverty statistics were collected) with the 1984 SIPP panel file figures. In general, SIPP estimates are considerably lower, with the CPS poverty rate for 1984 being 2.9 ($\pm$0.6) percentage points greater than the comparable SIPP estimate.

USER COMMENTS

We are interested in your reaction to the usefulness and content of this report. We welcome your recommendations. If you have suggestions or comments, please send them to: Dr. Gordon Green, Housing and Household Economics Statistics Division, U.S. Bureau of the Census, Washington, D.C. 20233.

[12]See John F. Coder, et. al. *Preliminary Data from the SIPP 1983-84 Longitudinal Research File*. SIPP Working Paper No. 8702.

Table H. **Comparison of CPS and SIPP Poverty Rates by, Selected Characteristics: 1984 and 1985**

Characteristic	Percent below the poverty level		Percentage point difference CPS - SIPP	CPS/SIPP
	CPS	SIPP		
1984				
AGE				
Total	14.4	11.5	2.9	1.25
Under 18 years	21.5	17.8	3.7	1.21
18 to 64 years	11.7	8.8	2.9	1.33
65 years and over	12.4	10.8	1.6	1.15
SEX				
Male	12.8	10.0	2.8	1.28
Female	15.9	12.9	3.0	1.23
RACE AND HISPANIC ORIGIN[1]				
White	11.5	8.7	2.8	1.32
Black	33.8	30.4	3.4	1.11
Hispanic origin	28.4	24.5	3.9	1.16
1985				
AGE				
Total	14.0	11.0	3.0	1.27
Under 18 years	20.7	16.9	3.8	1.22
18 to 64 years	11.3	8.4	2.9	1.35
65 years and over	12.6	10.9	1.7	1.16
SEX				
Male	12.3	9.4	2.9	1.31
Female	15.6	12.4	3.2	1.26
RACE AND HISPANIC ORIGIN[1]				
White	11.4	8.5	2.9	1.34
Black	31.3	28.3	3.0	1.11
Hispanic origin	29.0	22.6	6.4	1.28

[1]Persons of Hispanic origin may be of any race.

Table I. **Comparison of 1984-85 Year-to-Year Percentage Point Change in Poverty Rate Between CPS and SIPP**

Characteristic	CPS	SIPP
AGE		
Total	-0.4	-0.5
Under 18 years	-0.8	-0.9
18 to 64 years	-0.4	-0.4
65 years and over	0.2	0.1
SEX		
Male	-0.5	-0.6
Female	-0.3	-0.5
RACE AND HISPANIC ORIGIN[1]		
White	-0.1	-0.2
Black	-2.5	-2.1
Hispanic origin	0.6	-1.9

[1]Persons of Hispanic origin may be of any race.