

Introduction

The prevalence and persistence of poverty are central issues in both "Welfare Reform" and the "War on Poverty." Providing both snapshots and videos of poverty from various perspectives, data from the 1993 panel of the Survey of Income and Program Participation (SIPP) picture poverty primarily as a transitory condition for many and a chronic condition for some. Poverty rates are like snapshots: they describe the percentage of people who are poor for a specified period of time. Poverty spells and transitions, in contrast, are like videos: they show how long people stay poor, as well as movements into and out of poverty. These diverse statistics provide a richer picture of poverty than does a single annual rate. Reflecting diverse viewpoints, "War on Poverty" proponents may emphasize how many individuals experience any episode of poverty and the duration of the episodes, but "Welfare Reform" advocates may focus primarily on people who are chronically poor. Both groups are likely to examine transitions into and out of poverty.

This report uses data from the 1993 SIPP panel to examine poverty from October 1992 through December 1995.¹ SIPP allows us to examine both the static and dynamic aspects of poverty, thereby providing a richer picture than the one drawn by the Current Population Survey (CPS), the survey currently used for official poverty rates. The CPS provides only a single static snapshot of poverty for the population. SIPP's longitudinal data provide not only several static pictures but

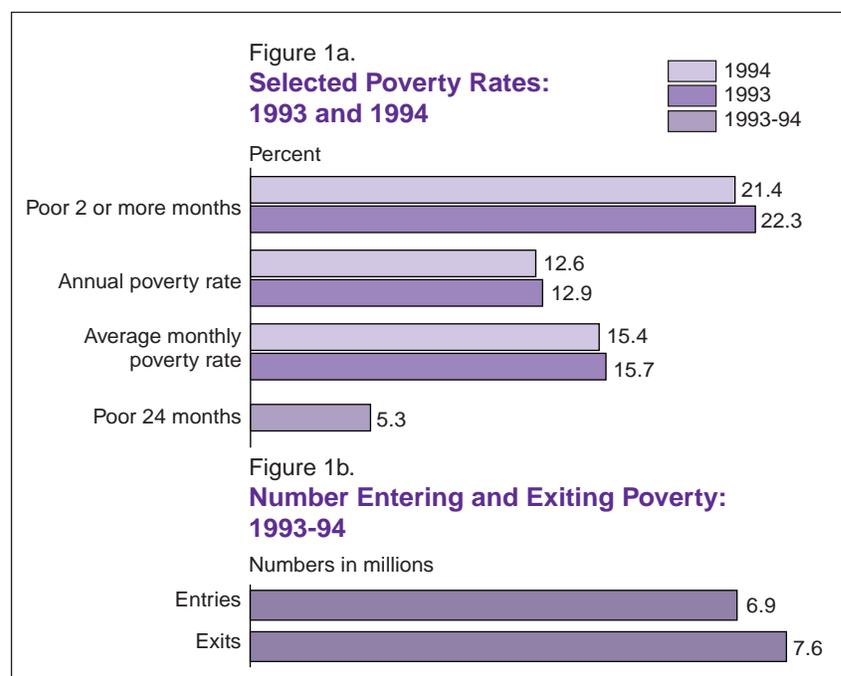
also several dynamic measures of movement into and out of poverty and poverty spells or duration. In addition, SIPP can also distinguish between short-term and long-term poverty. Unlike the CPS' annual data, the SIPP uses monthly data to measure poverty; hence, the SIPP allows one to measure poverty on a monthly basis as well as for longer periods of time.

The picture of poverty drawn by statistics depends partly on the type of statistics used. In this report we describe poverty using seven different measures:

1. *Average monthly poverty rate:* Measures poverty for each person in each month of a calendar year, computes the total, and averages it for the year.
2. *Episodic poverty rate:* Percent poor for two consecutive months or more in a given year or panel.

3. *Chronically poor:* Percent poor for all of 1993 and 1994—a 2-year period.²
4. *Annual rate:* Percent poor in a given year based on total income for the year and poverty thresholds that reflect changes in household composition during the year.³
5. *Poverty spells:* Number of months in poverty for those who are not poor the first interview month, but become poor at some point in the panel.
6. *Entry rate:* Percent of people who were not poor during 1993 but were poor in 1994 using the annual rate given above.
7. *Exit rate:* Percent of people who were poor during 1993 but were not poor in 1994 using the annual rate given above.

The first four statistics give snapshots for different periods of time;



the last three provide videos. The first text box lists the name and gives a brief description of each of these measures. For comparison purposes, it also lists the annual rate used with CPS data for the official measure of poverty. The annual rate, listed above as number 4, is an analogous—but not identical—measure.

We begin with highlights from this report. Next, to illustrate the complexity of poverty, we use each of these measures to describe poverty in the U.S. population as a whole. We then describe subpopulation differences within static and dynamic measures. Finally, we summarize these results and point out divergent patterns in population subgroups.

Using several types of poverty statistics challenges some common perceptions. Within a given demographic characteristic, some groups have high poverty statistics on every measure; other demographic groups are more likely to be relatively poorer on some measures, but not on others. This lack of uniformity across poverty statistics paints a more complex picture of poverty.

Highlights ⁴

- About 40 (± 1.5) million people were poor in 1994, reflecting an average monthly poverty rate of 15.4 (± 0.5) percent. Although the average monthly poverty rate for 1993⁵ was statistically similar at 15.7 (± 0.5) percent, the overlap of specific individuals is limited. Only one-third of those who were poor in an average month of 1994 were poor for all of 1993 and 1994 (5.3 ± 0.4 percent).
- The proportion of people who were poor at some point in time during 1994 (21.4 ± 0.6 percent) was four times greater than the proportion who were poor every month of both 1993 and 1994 (5.3 ± 0.4 percent).

How Do We Measure Poverty?

Average monthly poverty in a given calendar year	Average percent of people poor per month in 1993, 1994. Measures poverty for each person in each month and averages it over a calendar year.
Episodic poverty	Percent of people who were poor in 2 or more consecutive months of time period.
Chronic or long-term poor	Poor every month of 1993 and 1994 (measured monthly).
Annual rate	Percent of people who are poor in a calendar year. Sum of income over the year divided by the sum of poverty thresholds which can change from month to month if family composition changes.
Spells	Number of months in poverty of people who were not poor the first interview month. Computed only for those who were poor at some time during the panel. Minimum spell length is 2 months. Individuals can have more than one spell.
Entries	Not poor in 1993; poor in 1994. Uses annual rates.
Exits	Poor in 1993; not poor in 1994. Uses annual rates.
Annual poverty rate in CPS (official rate—listed here for purpose of comparison)	Percent in poverty. Annual income divided by poverty threshold which is based on family composition in March. (N.B. CPS only has annual income—not monthly income—and threshold is based on composition in March.)

- Hispanics⁶ had the highest entry rate into poverty (7.4 ± 1.7 percent) and the highest episodic poverty rate for the 36 months of the 1993 SIPP panel (53.9 ± 2.6 percent) of any racial or ethnic group; Blacks had the lowest exit rate (17.7 ± 2.7 percent), and the longest median poverty spell (6.8 months).
- The picture of poverty for the three age groups we examine here is complex. Children had the highest average monthly poverty rate (24.5 ± 1.1 percent), episodic poverty rate (32.4 ± 1.4 percent), chronic poverty rate (9.4 ± 0.9 percent), and entry rate (4.4 ± 0.7 percent) of any age group. Retirement-age adults had the lowest average monthly poverty rate (10.2 ± 1.1 percent), episodic poverty rate (13.5 ± 1.4 percent), and entry rate (2.0 ± 0.7 percent) of any age group. But children's median poverty spell (5.3 months) and exit rate (20.1 ± 2.7 percent) were statistically similar to those of adults 65 and over (6.7 months and 14.9 ± 5.2 percent).
- No matter which poverty measure is used, people in families with a female householder are more likely to be poor than those in married-couple families or unrelated individuals.
- People in central cities typically were at higher risk of

Average Monthly Poverty Rate: What is it? Why is it higher than the annual rate?

	Average monthly poverty rate	Annual poverty rate
How is it computed?	For each person, family income in a given month is divided by the poverty threshold for the family composition in that month. The total number poor for each of the 12 months of the year is then divided by 12 to get the average monthly rate.	For each person, the sum of family income over the year is divided by the sum of poverty thresholds which can change from month to month if family composition changes.
How do they differ?	Computes poverty for each month. A person can be poor in 1 month and not poor the other 11 months of the year. This person will contribute 1/12 to the average monthly poverty rate.	A person must be poor for the year based on the sum of family income and thresholds in order to contribute one person to the annual poverty rate.
Why is the average monthly poverty rate higher than the annual poverty rate for a given year?	Since people can contribute to the poverty rate on a monthly basis, the fractional contributions result in a higher rate. Twelve people who are poor for only 1 month of the year, contribute one person to the average monthly poverty rate but contribute nothing to the annual poverty rate.	This is an all or none measure. Each person can contribute a count of 1 or 0 to the number who are poor, the numerator of the rate.

poverty than their suburban or nonmetropolitan counterparts. However, the central city exit rate (19.9 ± 2.8 percent) was similar to the rate for nonmetropolitan residents (26.3 ± 3.9 percent).

An Overview of the Poverty Picture

Thirty percent of the U.S. population were poor for at least 2 months, but only 5 percent were poor continuously for a period of 24 months.

The picture of poverty is more complex than the one reported with a single poverty rate. The measures shown in Figure 1 describe poverty for the U.S. population in 1993 and 1994. Measuring poverty month by month and then averaging over the 12 months of each calendar year, approximately 40 million people were poor in 1993 and 1994. The average monthly poverty rate was 15.7 percent in 1993 and a statistically similar 15.4 percent in 1994. Annual poverty rates were

also statistically similar: 12.9 percent in 1993 and 12.6 percent in 1994.

Although the similarity in these estimates of the number of poor and poverty rates may suggest to some that poverty is a chronic condition, the reality is quite different: The chronic poverty rate was only one-third of the average monthly rate of 1994. Specifically, only 5.3 percent were poor for all 24 months of 1993 and 1994, compared with the 15.4 percent average monthly poverty rate of 1994. In contrast, far more people experienced episodes of poverty. Thirty (30.3) percent of the population were poor for at least 2 consecutive months over the 36 months that they were in the 1993 SIPP panel. Reflecting shorter time periods, the episodic poverty rates were a statistically similar 22.3 percent for 1993 and 21.4 percent for 1994. Thus, the proportion of people who were poor at some point in time during one of these calendar years was four times greater than the proportion who

were poor every month of both calendar years (22.3 and 21.4 percent versus 5.3 percent).

These various static rates tell us what fraction of the population was poor, but they do not tell us how long people were poor. For this we need a dynamic measure. Poverty spells measure the duration of poverty for people who are poor for some period during the panel.⁷ Most people who experienced poverty were poor for a few months: for spells starting after the beginning of the panel, the median spell lasted 4.5 months.

Additional dynamic detail is provided by measuring exits from and entrances into poverty. About 7.6 million individuals who were poor in 1993 became non-poor in 1994, and a statistically similar 6.9 million individuals who were not poor in 1993 became poor in 1994. These similar numbers represent an exit rate of 23.8 percent and an entry rate of 3.2 percent. The wide disparity in the entry and exit rates, coupled with total numbers that are not dramatically different, reflects

the fact that far more people are not poor than are poor.⁸ These various statistics portray poverty as a trap door for a few and a revolving door for many.

Expanding on these measures of poverty, the rest of this report describes the poverty experience of several demographic groups. The poverty picture for these subpopulations mirrors that of the whole population: relatively low rates of chronic poverty coupled with higher average monthly poverty rates and even higher rates of episodes of poverty, modest poverty spells, and exit rates that exceed entry rates. Despite the similarity in pattern, there are some notable differences among these groups. We explore differences among subpopulations categorized by family type, age, race, and residential location.

Snapshots: Poverty Rates

Figures 2, 3, and 4 show the percent of people who were poor 2 or more months during 1994, the percent of people who were poor in an average month of 1994, and the percent of people who were poor every month of 1993 and 1994, by family status, age, race and Hispanic origin, and residential location. The figures show a strong relationship between these characteristics and poverty status. However, the relationships are not always consistent.

People in families with a female householder have much higher poverty rates than do married-couple families or unrelated individuals

Single-parent families usually have female householders and people in this type of family are far more likely to be poor than either unrelated individuals or people in married-coupled families. In 1994, people in families with a female householder had a higher average monthly poverty

Figure 2.
Episodic Poverty Rates: 1994
(Poor at least 2 months)

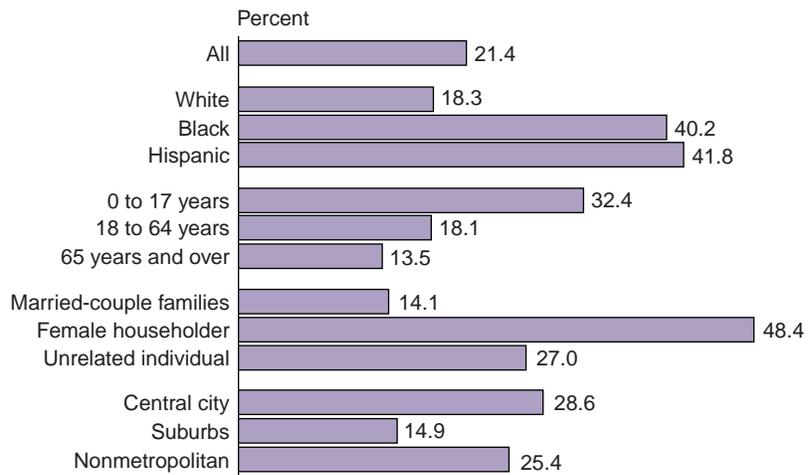


Figure 3.
Average Monthly Poverty Rates: 1994

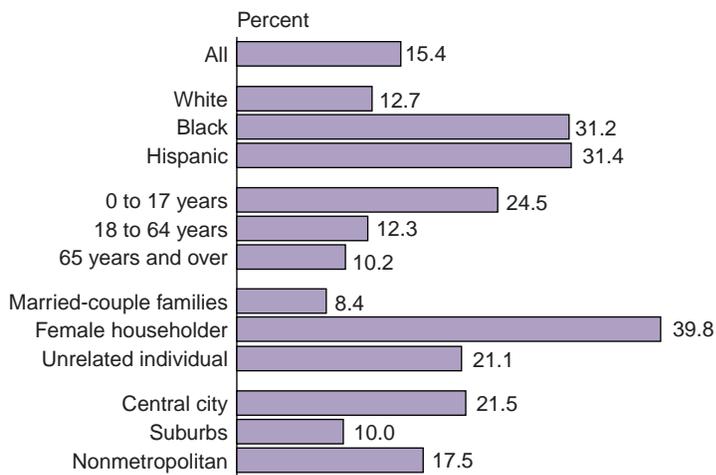
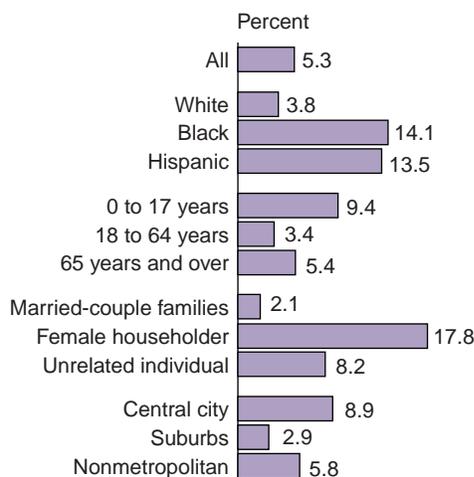


Figure 4.
Chronic Poverty Rates: 1993-1994
(Poor all 24 months)



rate (39.8 percent) than did people in either married-couple families (8.4 percent) or unrelated individuals (21.1 percent). However, more dramatic differences are evident for chronic poverty. Female-householder families have a chronic poverty rate (17.8 percent) that is twice as great as that of unrelated individuals (8.2 percent)⁹ and eight times as great as that of married-couple families (2.1 percent).

Among the three age groups, children have the highest poverty rates and older adults have the lowest average monthly and episodic poverty rates.

Children and older adults are usually viewed as having a high risk of poverty, but the rates that are shown here only partially support this belief. Children have the highest poverty rates among the three age groups, but older adults often have the lowest rates. In 1994, 32.4 percent of children were poor for at least 2 months, compared with 18.1 percent of adults 18 to 64 and 13.5 percent of adults 65 or older. Chronic poverty was also more prevalent among children than among adults: 9.4 percent of children were poor for all 24 months of 1993 and 1994. However, in a

departure from the episodic poverty pattern—in which older adults have the lowest incidence of poverty among the age groups—adults 65 or older were *more* likely to be chronically poor than were younger adults (5.4 and 3.4 percent respectively). The greater stability of income among the elderly—compared with younger adults—probably accounts for this reversal of relationships of long- and short-term poverty between the two age groups.

Few differences in poverty rates exist between Blacks and Hispanics.

For all three measures, Whites had the lowest poverty rates among the three race and ethnic groups, but Blacks and Hispanics often had statistically similar rates. The average monthly poverty rate in 1994 was 31.2 percent for Blacks and 31.4 percent for Hispanics. The chronic poverty rate was 14.1 percent for Blacks and 13.5 percent for Hispanics. The 1994 episodic poverty rate was 40.2 percent for Blacks and 41.8 percent for Hispanics. Only the episodic poverty rates for 1993 and for the entire panel were statistically different and even then not by much: the panel episodic poverty rate was 50.5 percent for Blacks and 53.9 percent for Hispanics.

Central cities have the highest poverty rates of any locale; their suburbs have the lowest rates.

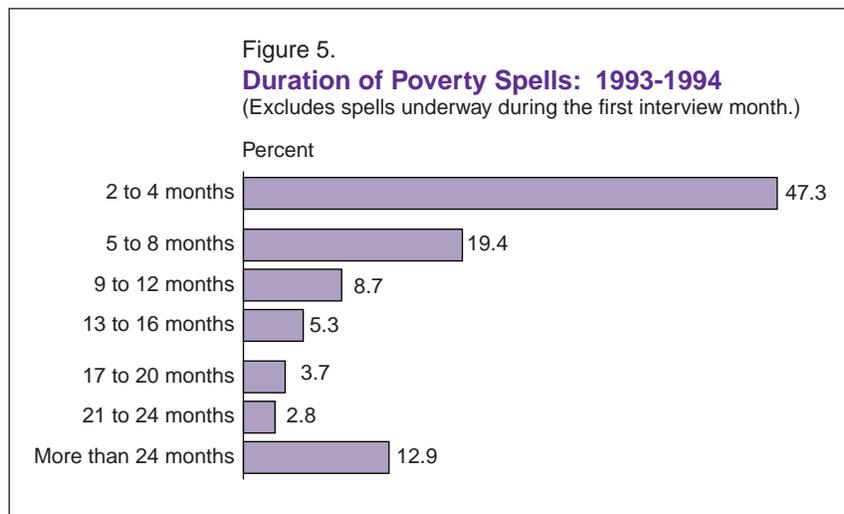
Since poverty generally is associated primarily with inner cities and secondarily with nonmetropolitan areas, it is not surprising that poverty rates differ by residential location. In 1994, the average monthly poverty rate was 21.5 percent in central cities, 17.5 percent outside of metropolitan areas, and 10.0 percent for those who lived outside the central city but within metropolitan areas—areas that we will call “suburbs” in this report. Similarly, chronic poverty rates were 8.9 percent (central city), 5.8 percent (nonmetropolitan), and 2.9 percent (suburbs), respectively.

Videos: Poverty Spells and Transitions

Providing dynamic measures of poverty, Figures 5, 6, 7, and 8 show measures of poverty spells and transitions. Figure 5 shows the distribution of poverty spells. That is, for those who were not poor during the first interview month but became poor at some point during the survey, it shows how long they remained poor.¹⁰ It is important to note that this is an analysis of spells, while other statistics in this report are analyses of individuals. People can have more than one spell. Figure 6 shows median spells of poverty for various demographic groups. Figures 7 and 8 give the rates of exit from and entry into poverty, respectively.

One-half of all spells lasted for 4.5 months or less.

For poverty spells that began after the first interview, just over one-half (52.8 percent) lasted more than 4 months, one-third (33.4 percent) lasted more than 8 months, and one-quarter lasted more than a year. Overall, the median poverty spell was 4.5 months. For the various demographic subgroups, those with the highest poverty



rates tended to have the lowest exit rates and the highest entry rates into poverty. They also tended to have the longest poverty spells. However, this was not always the case. Divergence from the common pattern adds depth to our picture of poverty.

Individuals living with a female householder have the highest entry rate into poverty of any family type.

Tabulations of poverty spells by family type exhibit the now-familiar pattern. Among the three family types, people living with female householders had the longest median poverty spell (7.2 months), and those in married-couple households had the shortest median spell (3.9 months). Unrelated individuals had median poverty spells of 4.5 months, which is statistically similar to that of married-couple families. People living in other family types¹¹ had a lower exit rate from poverty (18.3 percent) and higher entry rate into poverty (6.5 percent) than did people living in married-couple households (27.8 and 1.9 percent, respectively). They also had a higher entry rate than unrelated individuals (4.6 percent). However, the exit rates of other family types (18.3 percent) and unrelated individuals (19.6 percent) were statistically similar.

Children had the highest entry rate into poverty and, along with older adults, had a low exit rate.

Age groups deviated from the typical pattern. Mirroring the average monthly poverty rate, children had the highest entry rates and older adults had the lowest of any age group. Among those who were not poor in 1993, 4.4 percent of children, 3.0 percent of adults 18 to 64, and 2.0 percent of adults 65 or older became poor in 1994. In contrast, however, children and retirement-age adults had statistically

Figure 6.
Median Poverty Spells: 1993-1994

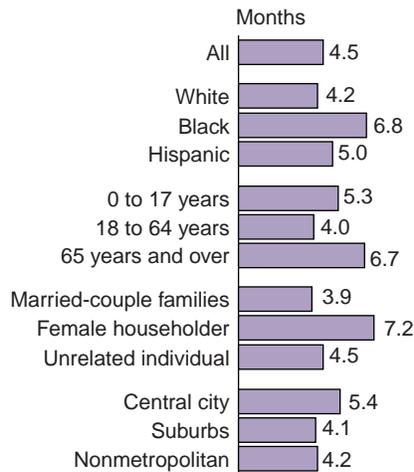


Figure 7.
Entry Rates: 1993-1994

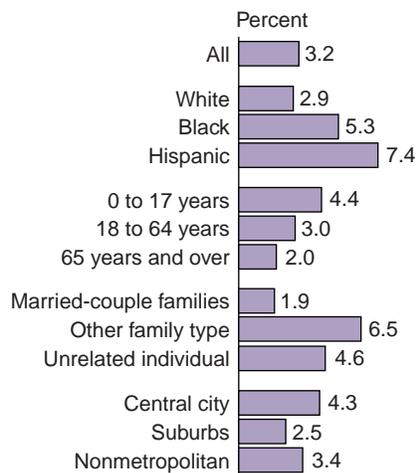
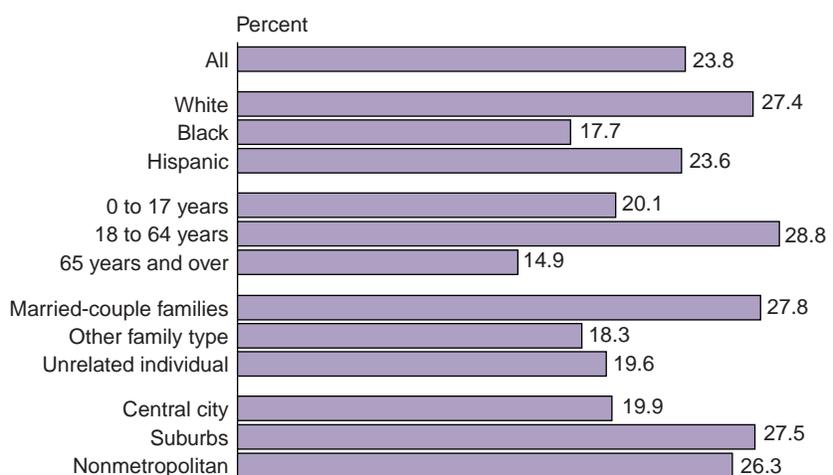


Figure 8.
Exit Rates: 1993-1994



similar exit rates and median spells. The 20.1 percent exit rate of people less than 18 years old is not statistically different from the 14.9 percent exit rate of older adults. Younger adults, with an exit rate of 28.8 percent, were more likely to escape poverty than either children or older adults. Although the median poverty spell of older adults (6.7 months) appears to be the longest of any age group, it is not statistically different from either of the younger age groups. However, the median poverty spell for children (5.3 months) was longer than that of adults aged 18 to 64 (4.0 months).

Blacks had a lower entry rate into poverty than Hispanics, but they also had a lower exit rate.

Among the race/ethnicity subpopulations, the dynamic measures paint a distinctly different picture for Blacks and Hispanics. Blacks had a lower entry rate (5.3 percent for Blacks versus 7.4 percent for Hispanics), but they also had a longer median poverty spell (6.8 months) and a lower exit rate (17.7 percent) than did Hispanics (5.0 months and 23.6 percent, respectively). Of the three groups, Whites had the lowest entry rate (2.9 percent), but their ostensibly shorter median spell (4.2 months) and higher exit rate (27.4 percent) were not statistically different from those of Hispanics.

Like central city residents, nonmetropolitan residents had a high entry rate into poverty, but like suburban residents, nonmetropolitan residents also had a high exit rate from poverty.

As might be expected, people living in central cities had the longest median spell (5.4 months versus

4.1 and 4.2 months for suburban and nonmetropolitan residents, respectively) and they had the lowest exit rate (19.9 percent versus 27.5 percent and 26.3 percent). Residents of central cities also had a higher entry rate (4.3 percent) than suburban residents (2.5 percent). What is surprising is the lack of differentiation of nonmetropolitan residents. Their median spell (4.2 months) and exit rate (26.3 percent) were statistically similar to those of residents in suburban areas; their entry rate (3.4 percent) was statistically similar to the entry rate of residents of central cities.

Summary

Poverty measures show a consistent pattern for family type and residential location, but not for age and race.

The picture of poverty is generally consistent across all measures for type of family and residential location but different for age and race/ethnicity groups. For type of family, poverty statistics generally show that people living with female householders were most likely to be poor and people living with married couples were least likely to be poor. Similarly, people living in the central city of a metropolitan area were most likely to be poor, and their metropolitan neighbors, who lived outside of the central city, were least likely to be poor regardless of the measure used.¹²

Poverty statistics for race/ethnicity and age groups were not uniform within each of their demographic categories but some similarity is evident between them. The divergent patterns increase our understanding of poverty.

Hispanics had a higher episodic poverty rate for the panel and a higher entry rate into poverty in 1994 than did Blacks. Blacks, on the other hand, had a longer median spell, and lower exit rate from

poverty than did Hispanics. Whites had statistics consistent with lower poverty. This combination of statistics suggests that Hispanics faced a high risk of poverty but poverty was more likely to be transitory, while Blacks faced a slightly lower risk of poverty but poverty was more likely to be persistent.

For the three age groups, the differences were more complex than they were for the race/ethnicity groups. Older adults had the lowest average monthly poverty rate, episodic poverty rate, and entry rate of any age group, but they also had a low exit rate from poverty. The chronic poverty rate of those 65 or older was intermediate: higher than that of younger adults, but lower than that of children. Poverty statistics for children typically indicated the greatest likelihood of poverty except for median spell and exit rates, which, although they indicate greater poverty for children, were not statistically different from those of older adults.¹³ Children had the greatest risk of becoming poor, being poor, and remaining poor for 2 calendar years. Elderly people, in contrast, had the lowest risk of becoming poor and being poor, but, once they became poor, were as likely as children to remain poor. These statistics suggest that elderly people are likely to be divided into two disproportionate groups: a small one which experiences persistent poverty, and a larger one which eludes poverty.

These statistics show that poverty may seem to be a relatively simple picture, but, in fact, it is complex. Furthermore, the complex picture of poverty requires dynamic measures to bring it into focus.

¹The longitudinal estimates presented here are based on people who either were interviewed in all waves of the reference period, or for whom imputed information exists. Efforts were made during the life of the panel to ensure that the sample remained representative of the noninstitutional population of the United States. People who moved were followed to their new address. A "missing wave imputation" procedure was used for people who missed an interview but had completed interviews before and after the missing wave. If the people included in the estimates have different experiences of poverty than do the people who did not respond initially, left the sample, or missed two or more consecutive waves, these longitudinal estimates may be biased.

²These data do not capture long-term poverty that endures for more than 2 years. This may bias the results and show a "rosier" picture than is actually the case.

³This measure computes a sum of family income over the entire year and a sum of poverty thresholds based on family composition in each month of the year. It differs from the CPS measure which obtains annual income and uses family composition in March of the following year (i.e., the interview month) to determine the threshold. Annual poverty rates are reported only for the total population.

⁴The figures in parentheses signify the 90-percent confidence intervals of the estimates.

⁵Statistics for 1993 in this report tend to be different from statistics for 1993 previously published for SIPP from the 1992 panel. This situation occurs for two reasons: 1) Poor people are more likely than non-poor people to attrit over the life of the panel and 1993 is the second calendar year of the 1992 panel but only the first year of the 1993 panel. 2) The 1992 panel sample is different than the 1993 panel sample and sampling variations will result in a different point estimate, even of the same concept.

⁶People of Hispanic origin may be of any race. The information on the Hispanic population shown in this report was collected in the 50 states and the District of Columbia, and therefore, does not include residents of Puerto Rico.

⁷People can have more than one poverty spell. Spells are separated by 2 or more months of not being poor.

⁸Since the number of people who are not poor is much larger than the number who are poor, the base or denominator for entries into poverty is larger than the one for exits. As a result, even if the number of people who entered poverty were the same as the number who exited, entry rates would be much smaller than exit rates.

Similarly, the number of people represented by a lower rate may be much larger than the number of people represented by a higher rate if the bases are different. For example, the 1994 average monthly poverty

rate of 12.7 percent for Whites represents 27.5 million people, but the 31.2 percent rate for Blacks represents 10.3 million, a much smaller number.

⁹The average monthly poverty rate of people in married-couple families is statistically similar to the chronic rate of unrelated individuals.

¹⁰The spells of people who were poor at the first interview month are excluded because their starting point is unknown. Approximately 7 percent of all spells began in or before the first interview month.

¹¹Exits and entries into poverty are reported for people whose family status was unchanged throughout the panel. Ninety-five percent had the same status throughout the panel. For the family type category, exits and entries into poverty are reported for "other family type" rather than "families with a female householder." Most "other type" families are female-householder families (viz. 85 percent in 1994).

¹²Recall that nonmetropolitan and central city residents had similar entry rates, and nonmetropolitan and suburban residents had statistically similar exit rates and median spells. Similarly, median spells for married-couple families and unrelated individuals were not statistically different.

¹³The median spells and exit rates of children and the elderly appear to indicate less poverty for children than for older adults. However, they were not statistically different.