

GAO

Report to the Chairman, Committee on  
Ways and Means, House of  
Representatives

September 1992

# POVERTY TRENDS, 1980-88

## Changes in Family Composition and Income Sources Among the Poor



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United States  
General Accounting Office  
Washington, D.C. 20548

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**Program Evaluation and  
Methodology Division**

B-243226

September 10, 1992

The Honorable Dan Rostenkowski  
Chairman, Committee on Ways  
and Means  
House of Representatives

Dear Mr. Chairman:

In your letter of March 20, 1990, you asked us to undertake an analysis of trends in the size and composition of the poverty population in recent years. You also specifically requested that we examine major subgroups of the poverty population, trends in their size, and explanations for these trends. This report responds to your request.

If you have any questions or would like additional information, please call me at (202) 275-1854 or Robert York, Director of Program Evaluation in Human Services Areas, at (202) 275-5885. Other major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in cursive script, reading "Eleanor Chelmsky".

Eleanor Chelmsky  
Assistant Comptroller General

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# Executive Summary

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## Purpose

Many federal, state, and local programs are designed to assist persons unable to support themselves financially. Identifying changes in the extent of poverty and who experiences it is essential to assessing the need for these programs and evaluating their targeting and effectiveness. The Chairman of the House Committee on Ways and Means asked GAO to analyze changes in the size and composition of the population of poor families to assist the Committee in its oversight of federal assistance to the poor. This report examines the following questions:

1. How, if at all, has the composition of the poor changed in recent years?
  - Do observed differences reflect changes in population growth or in poverty rates for specific groups?
  - How is the picture of poverty altered by the inclusion of food and housing benefits and federal taxes?
2. What explains any changes observed in the growth or poverty rates experienced by particular groups?
3. How are poverty rates affected by various proposed adjustments to the method of determining who is impoverished, such as incorporating child-care expenses, child support, and state taxes in the calculation of income?

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## Background

Federal cash assistance programs (such as Aid to Families with Dependent Children), as well as the federal income tax structure, recognize the need to assist persons whose income is limited by factors such as advanced age, a disability, or the need to care for a dependent. Since the development of the official U.S. poverty definition in 1964, poverty rates have been used as indicators of both the need for income assistance and the ability of public programs and policies to provide that assistance.

To analyze the composition of the poverty population, GAO partitioned families into six mutually exclusive types based on their expected ability to support themselves through employment or to gain public assistance. Poverty rates in 1980 were compared with rates in 1988 using Current Population Survey data collected by the Census Bureau. In these two years, the overall poverty rates were quite similar: 14.4 and 14.1 percent of all families. However, during this period, the total number of family units increased from 87.8 to 100.6 million. As a result, the number of families in poverty rose from 12.6 million in 1980 to 14.2 million in 1988.



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## Results in Brief

Changes in both the sizes and poverty rates of specific categories of families resulted in a changed profile of the poor in 1988 compared with 1980. By 1988, the poor were more likely to be single-parent families (up from 20 to 23 percent of all poor families) or nonelderly and nondisabled single adults (from 23 to 26 percent). They were less likely to be families headed by an elderly person (down from 26 to 21 percent). These changes were primarily the result of two factors: a significant decline in the poverty rate of elderly-headed families, and rapid population growth among single parents and single adults (not an increase in their poverty rates).

Additionally, GAO examined three family types with high poverty rates: single parents, families with children headed by young persons, and families headed by a person with a disability. Population growth of a particularly disadvantaged subgroup in each of these family types played an important role. Half of the 1.6 million increase in single-parent families came from an increase in the number of never-married mothers, whose poverty rate was around 65 percent in both years. An increase in single parents was also primarily responsible for the dramatic increase in the poverty rate of young families with children (from 35 to 48 percent). An increase in single parents and single individuals contributed to the nonsignificant poverty rate increase among families headed by a person with a disability (from 42 to 45 percent).

During the 1980s, unemployment declined and the economy experienced continuing growth. Nevertheless, despite maintaining or slightly increasing their work effort, single mothers and young parents failed to increase their total real income, on average. Reduced benefits from major federal/state public assistance and social insurance programs had a greater impact on these families' incomes, contributing to higher poverty rates among some of these families.

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## Principal Findings

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### Changes in the Composition of the Poor

The poor were more likely to be single parents or single individuals in 1988 compared with 1980 because these types of families grew faster than others in the general population. In contrast, married-couple families with children became a smaller share of the poverty population—largely as a result of their decline from 28 to 24 percent of all families.

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A significant reduction in the poverty rate of elderly-headed families (from 19 to 15 percent) explained their declining share in the poverty population. A statistically insignificant increase in the poverty rate for disabled-headed families (from 42 to 45 percent) explains their small increase among the poor (from 13 to 14 percent). Other family groups showed little change in their poverty rates between 1980 and 1988.

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## Single-Parent Families

The increase in the number of nonelderly, nondisabled, single-parent families was partly the result of rapid growth of male-headed families and never-married mothers. The new growth in never-married mothers, in turn, differed from the stereotype: They were not unemployed teenaged dropouts but rather working women aged 25 to 44 who had completed high school.

Poverty rates did not increase significantly for all single parents between 1980 and 1988; however, the increase in the number of single fathers masked an increase (nonsignificant) of 2 percentage points in the poverty rate for single mothers. This 2-percentage point rise was primarily due to the increase in the proportion of women who had never married and who had children under 6. Mothers of young children had much lower employment rates, and never-married mothers (as a group) continued to be more likely to be very young (under 25) and less well educated than previously-married mothers—all factors associated with higher poverty rates.

There was no change in the average (inflation-adjusted) total income of female-headed families living as the sole family in the household. Single mothers were more likely to work full-time year-round in 1988 than in 1980, but declines in assistance-program benefits offset their increased earnings, on average.

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## Young Family Heads

There were fewer families with children headed by young persons (that is, under the age of 25) in 1988 than in 1980, due to a decline in the size of the age group and in its rate of family formation. However, the significant increase in their poverty rate (from 35 to 48 percent) partly resulted from the increase of single parents. Young single parents—who have dramatically higher poverty rates than young married couples—grew to nearly half the young-family-head population by 1988, accounting for about 59 percent of the increase.

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Poverty rates in 1988 were higher than in 1980 for young married couples and (nonsignificantly) for young single parents, primarily due to a decrease in public benefits, since both groups maintained their work effort over this period. Young single parents' average income from means-tested programs decreased \$876 (in 1988 dollars), which was substantially greater than their \$336 increase in average annual earnings. Young married-couple families received \$476 less in average social insurance income (such as unemployment compensation), while their real earnings remained constant, on average.

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**Families Headed by  
Persons With a Disability**

The poverty rate for families headed by (or consisting solely of) a person with a disability increased from 1980 to 1988 by a nonsignificant 3 percentage points, to 45 percent. These persons have a long-term health problem or disability that limits employment, so they rely instead on family members and government transfers for income. Thus, disabled persons heading a married-couple family escaped poverty primarily through the earnings of other family members. Their increased poverty in 1988 was due primarily to a shift in their distribution toward the two family types with the least additional income support—single parents and single individuals. These disabled-headed families, which primarily rely on public assistance to avoid poverty, had poverty rates of around 65 percent.

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**Adjustments to Income**

Incorporating food and housing benefits and federal and payroll tax payments in the measurement of poverty reduced the overall poverty rate, as well as the rates for the most vulnerable subgroups, in both years. However, it had little effect on the trends over time in the composition of the poor. Subtracting child care and child support payments from family income would affect overall poverty rates by less than 1 percentage point. However, while few near-poor families make these payments, these expenses are very large, representing 15 to 20 percent of their income.

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**Recommendation**

This report contains no recommendations.

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**Agency Comments**

Census Bureau officials commented informally on measurement issues involved in this report and suggested certain minor technical and editorial changes, which were incorporated as appropriate.

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## Abbreviations

AFDC	Aid to Families With Dependent Children
CBO	Congressional Budget Office
CPI-U	Consumer price index representing all urban consumers
CRS	Congressional Research Service
CPS	Current Population Survey
GAO	General Accounting Office
PSID	Panel Survey of Income Dynamics
SSI	Supplemental Security Income
SIPP	Survey of Income and Program Participation
USDA	U.S. Department of Agriculture

# Introduction

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Measuring the extent of poverty in the United States indexes both the economic well-being of our citizens and the country's ability—through either the private economy or public programs—to provide the income required for its citizens to meet their most basic needs. In fiscal year 1990, the federal government expended about \$44 billion in means-tested cash and near-cash income supplements through the Aid to Families With Dependent Children (AFDC), Supplemental Security Income (SSI), Food Stamp, and child nutrition programs. The House Committee on Ways and Means requested that we analyze changes in the size and composition of the poverty population to assist the Committee in its oversight of these programs and other forms of assistance to the poor. Identifying changes in the extent of poverty and who experiences it is essential not only to assess the need for these programs and to improve their targeting and effectiveness, but also to improve the nation's ability to protect the well-being of its disadvantaged citizens.

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## Background

In 1964, the federal government developed a definition and methodology for measuring poverty to ascertain how many people across the country had incomes that were inadequate to meet their basic needs. Under this official definition, a family is considered to be living in poverty if its annual cash income is below the threshold believed necessary for that family to purchase a minimum standard of living. The derivation of the thresholds was based on the finding in the Department of Agriculture's 1955 Survey of Food Consumption that families of three or more persons spend one third of their income on food. Thus, the poverty threshold for a family of three was computed as three times the cost of the economy food plan, the least costly food plan designed by the Department of Agriculture. The original set of thresholds was created by adjusting for such factors as family size, sex of the family head, number of children under 18 years old, and farm/nonfarm residence. Thereafter, two major changes were made to the definition: In 1969, annual adjustments were changed to rely on the consumer price index rather than the cost of food in the economy food plan, and in 1980, separate thresholds based on sex and farm/nonfarm residence were eliminated and thresholds were added for families of nine or more. Other than these changes and adjustments for annual increases in the cost of living, the thresholds defining poverty-level income have remained constant over the years.

To produce national poverty statistics, the Census Bureau annually interviews a nationally representative sample of households about their incomes for the previous year. Poverty rates (representing the estimated



proportion of households whose cash incomes fall below the poverty threshold) are published for the entire U.S. population and many subpopulations (such as individuals, different family types, children, and the elderly).

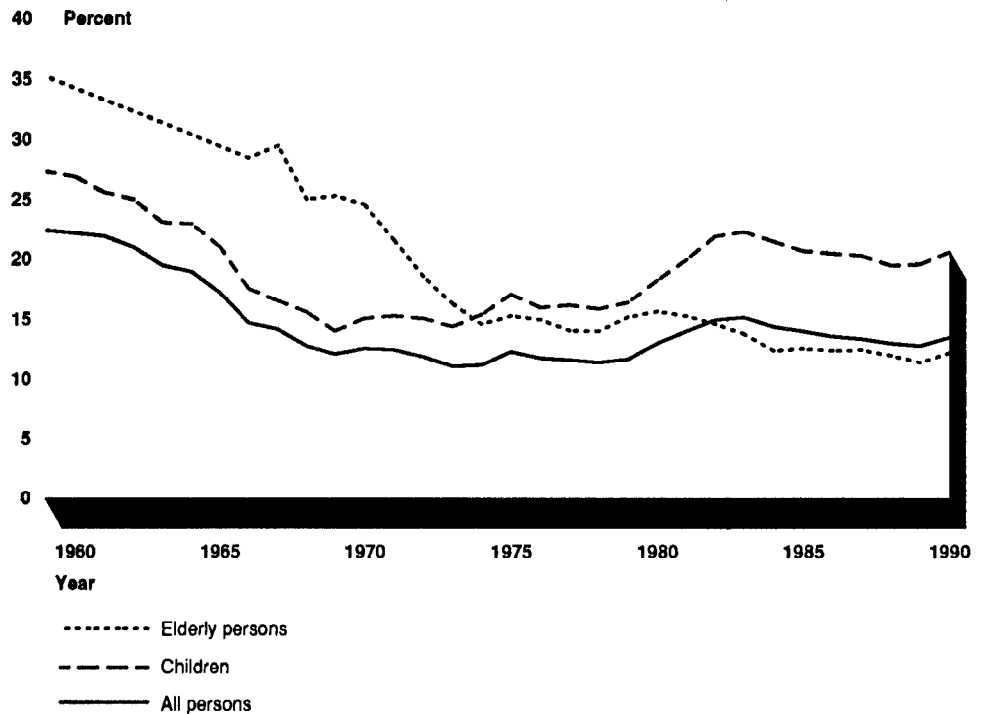
Poverty rates serve as measures of the need for income assistance among those persons found unable to provide sufficient income for themselves. Based on Census Bureau estimates for 1959, more than one fifth of the population (22.4 percent) was found to lack sufficient income to purchase a minimum standard of living, including 35.2 percent of the elderly (those 65 and over) and 27.3 percent of children under 18.<sup>1</sup> By identifying these particularly disadvantaged components of the population, the new poverty statistics stimulated interest in federal efforts to assist the poor.

Poverty statistics have been used to measure not only the need for income assistance but also the effectiveness of programs in reducing poverty. During the 1960s, the poverty rate for all persons—including those for children and the elderly—steadily declined as both real wages and federal spending on public assistance increased. (See figure 1.1.) Thus, by 1971, the poverty rate for all children had declined from 27 to 15 percent.

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<sup>1</sup>The poverty definitions first used in 1965 were applied to available data for earlier years, beginning with 1959.

Figure 1.1: Poverty Rates for All Persons, Children, and the Elderly, 1959-90\*



\*Data for the elderly not available for years 1960-65.

Source: Bureau of the Census, *Poverty in the United States: 1990*, Current Population Reports, Series P-60, No. 175 (Washington, D.C.: U.S. Government Printing Office, 1991b).

After 1973, the overall poverty rate increased gradually and peaked in 1983 at mid-1960s levels; it then returned to the 1980 level by 1988. During the 1980s, unemployment generally declined, and the economy experienced continuing growth after 1982, which slowed near the end of the decade. However, while poverty among the elderly continued to decline in the 1970s and 1980s, the poverty rate increased for children to peak at mid-1960s levels, remained higher than the overall poverty rate, and had failed to return to its 1980 level by 1988.

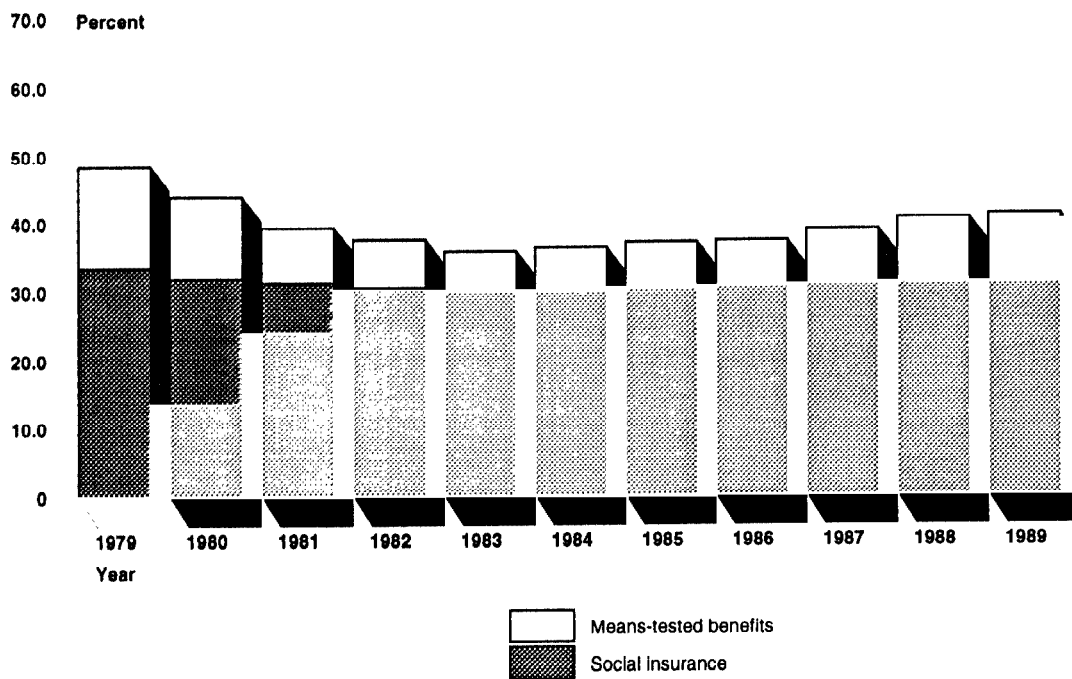
The House Committee on Ways and Means has oversight responsibility for many federal poverty programs, such as AFDC and SSI, as well as for certain federal tax policies benefiting the poor. As part of this responsibility, the Committee has published analyses by the Congressional Budget Office (CBO) and the Congressional Research Service (CRS) of trends in poverty rates over time. (See U.S. Congress, 1991, especially appendixes G, H, and

I.<sup>2</sup> A committee analysis, based on CBO data, examined the relative influence of the economy, demographics, assistance programs, and federal taxes on the growth of poverty between 1979 and 1989. They found that the 7.2 million increase in the number of poor families (after including transfer payments and federal taxes) was primarily attributable to—in descending order of magnitude—(1) general population growth; (2) the reduced effectiveness of means-tested transfer programs—such as AFDC, Food Stamps, and housing assistance—in removing families from poverty (see figure 1.2); (3) changes in demographics, such as the increased number of children in single-parent families (see figure 1.3); and (4) the reduced effectiveness of social insurance programs, such as Social Security and unemployment compensation. Changes in private income (including earnings) between these years acted to reduce the number of the poor but did not offset the factors mentioned. Changes in federal taxes were found to have a relatively small effect on the overall increase in the number of poor.

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<sup>2</sup>Complete references are supplied in the bibliography.

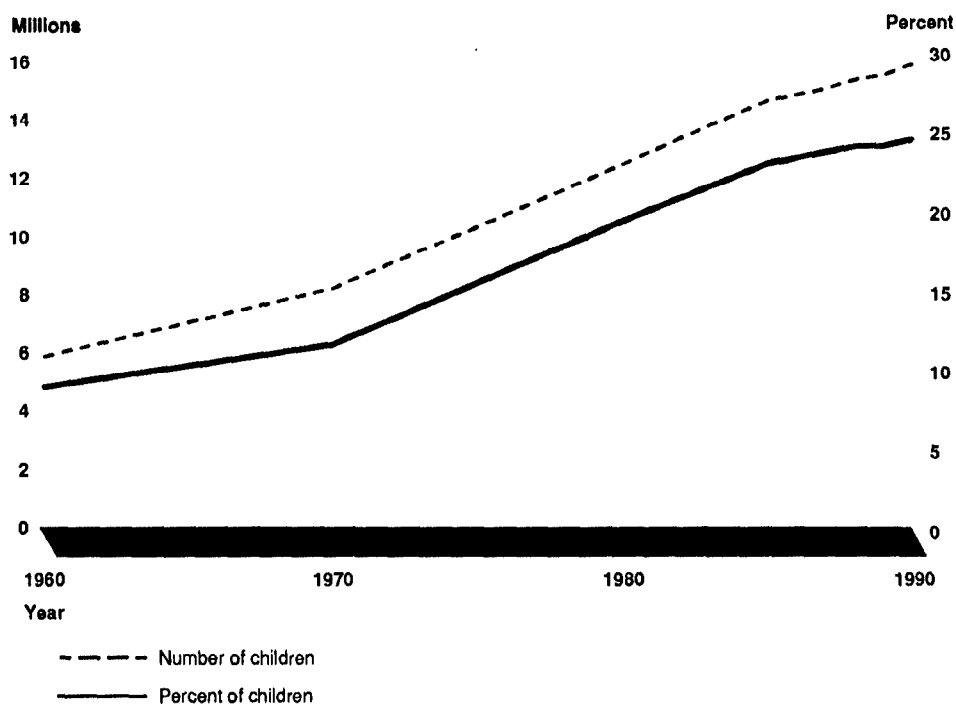
**Figure 1.2: Percentage of Poor Individuals Removed From Poverty Through the Combination of Social Insurance and Means-Tested Benefits, 1979-89\***



\*Social insurance includes Social Security payments; means-tested includes cash, as well as food and housing assistance. The proportion is based on adding social insurance, and then means-tested transfers, to cash income.

Source: U.S. Congress, House Committee on Ways and Means, Overview of Entitlement Programs: 1991 Green Book (Washington, D.C.: U.S. Government Printing Office, 1991).

**Figure 1.3: Number of Children Living With One Parent and Their Percentage of All Children, 1960-90<sup>a</sup>**



<sup>a</sup>Data available only for the years 1960, 1970, 1980, 1985, and 1987-90.

Source: U.S. Congress, House Committee on Ways and Means, Overview of Entitlement Programs: 1992 Green Book (Washington, D.C.: U.S. Government Printing Office, 1992).

Changes in the overall poverty rate have not been felt equally by all segments of the population, nor do the previously enumerated factors apply equally to them. On the one hand, people differ in the extent to which they rely on earnings for their income, for example, and thus differ in their exposure to particular trends in employment and wages. On the other hand, because the various income transfer programs are targeted toward different populations (not all of them poor), changes in these programs affect the income of some people but not others. For example, while Social Security supplements the retirement income of the majority of the elderly, SSI payments are generally restricted to the poor elderly and poor persons with employment-precluding disabilities.

Thus, to examine the need for and effectiveness of federal assistance to the poor, it is necessary to examine specific population subgroups to determine their specific poverty rates and the factors most affecting those

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rates. Precisely delineating a homogeneous subgroup (for example, one based on availability for employment or eligibility for assistance) improves not only the relevance of an analysis to particular programs but also the ability to identify the distinct effects of various factors (for example, employment levels, household composition, and amount of transfer payments) on the poverty rate.

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## Objectives, Scope, and Methodology

The House Committee on Ways and Means requested that we analyze changes in the size and composition of the poverty population to assist the Committee in its oversight of several programs of assistance to the poor. Specifically, after discussion with the Committee, we focused on the following questions:

1. How, if at all, has the composition of the poor changed in recent years?
  - Do observed differences reflect changes in population growth or in poverty rates for specific groups?
  - How is the picture of poverty altered by the inclusion of food and housing benefits and federal taxes?
2. What explains any changes observed in the growth or poverty rates experienced by particular groups?
3. How are poverty rates affected by various proposed adjustments to the method of determining who is impoverished, such as incorporating child-care expenses, child support, and state taxes in the calculation of income?

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## Population Studied

After preliminary analyses and further discussion with the Committee, we focused on the following groups, which we found to be at particularly high risk of poverty: single-parent families, families headed by a person with a disability, and families headed by young persons. Our analyses rely primarily on the annual March income supplement to the Current Population Survey (CPS), a nationally representative survey of approximately 58,000 households conducted by the Census Bureau and used to produce the official poverty statistics. We analyzed the March 1981 and March 1989 data files (representing the 1980 and 1988 income years) to explore in detail the changes that had occurred among both the poor and the general population. We selected these years for analysis in order to include near-cash benefits and federal tax payments. At the time we

conducted our analyses, 1980 and 1988 represented the first and last income years for which the Census Bureau had attached estimates of these values to each household in the CPS sample. We did not test the reliability of CPS data.<sup>3</sup>

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## Methodology

To ascertain what categorization of the poor might be most useful to the Committee, we reviewed recent literature on poverty to identify the classification schemes used and then assessed these on the basis of the Committee's interests. To identify recent changes in the size and composition of the poverty population, we analyzed CPS data according to the classification scheme we developed. In this analysis, we determined whether a CPS family unit was poor on the basis of the family-reported income, as well as the official poverty thresholds and income definitions. To answer the second part of the first evaluation question, we included near-cash benefits and federal taxes in calculating income levels for comparison with the poverty thresholds. We assessed changes in the composition of the poor on the basis of both income definitions.

To address our second evaluation question, which concerns the changes in poverty rates experienced by specific subgroups, we first carefully delineated criteria for inclusion in each subgroup. In several cases, we further narrowed the subpopulation in order to examine subgroups of greater homogeneity. We then examined factors influencing the poverty of these subgroups by means of a series of cross-tabulations along several demographic and behavioral dimensions discussed in the literature on poverty. We examined changes in and relationships among these variables to assess the relative effect of various factors on the capacity of families to obtain a sufficient income, as well as to assess potential explanations for the poverty changes.

To assess the effects on poverty rates of other income adjustments, we estimated the child care expenses, child support payments, and state income taxes of families with incomes just above the poverty thresholds in order to determine the number of these families whose incomes would fall below poverty when reduced by these amounts.<sup>4</sup> Estimates of the frequency and average value of child care and child support payments were obtained from published analyses of data from the Survey of Income and Program Participation (SIPP). In addition, we briefly summarized the

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<sup>3</sup>See our review of the Census Bureau's quality control procedures in GAO (1986a).

<sup>4</sup>We prepared a separate, detailed analysis of changes in families' state income and sales taxes over this period. Our results are presented in U.S. Congress (1991), pp. 1276-86.

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relevant literature on the effects of family-size adjustments in establishing the poverty threshold.

We performed our work in accordance with generally accepted government auditing standards. An advisory panel provided input to our analysis plans and to a draft of this report; its members are listed in appendix II.

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## Definitions

In our analyses, we treat individuals not living with relatives (identified as “unrelated individuals” by the Census Bureau) as family units consisting of one person. We also follow the official Census Bureau definition of a family, in measuring poverty, as a group of persons related by blood or marriage and residing together. Although many definitions of family exist, we feel that it is important in measuring poverty to preserve the notion of a group of persons who share income and resources in meeting basic living expenses of food and housing.<sup>5</sup> Thus, we retain the Census Bureau’s treatment of an extended or multigenerational family as a single family that is presumed to be sharing resources. However, we have opted, as does CBO, to diverge from Census Bureau practice by including a household’s “secondary” individuals and families in our count of families. A small but growing proportion of households contain families or individuals unrelated to the householder (the person responsible for the rent or mortgage). We do not know whether these secondary families and individuals share living expenses (such as rent) with the rest of the household, but they do have substantially higher poverty rates than families that include the householder (referred to as primary families and individuals). Therefore, our total counts of families, as well as our poverty rates, are slightly higher than those published by the Census Bureau.

Due to its use of “related by kin or marriage” as the definition of a family, the Census Bureau does not recognize unmarried couples as families, despite the growing frequency of cohabitation. In analyses reported further on, we do, however, experiment with the notion of expanding the definition of “family” to include unmarried couples living together.<sup>6</sup>

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<sup>5</sup>Of course, for “unrelated individuals,” a “group” consists of only one person.

<sup>6</sup>The Census Bureau has examined the age, sex, and marital status of unmarried-couple households. See Bureau of the Census (1990a). We examined the characteristics of a narrower population of unmarried-couple households than did the Census Bureau—specifically, those containing at least one single-parent family with children under 18.



With regard to headship, CPS data designates as the "householder" or "household head" the person identified by the interview respondent as responsible for the rent or mortgage. We assume that this person's income is also the family's primary basis of support. Thus, an elderly parent living with adult children as a dependent would probably not be designated the "head." If the family was headed by a married couple, we used whichever spouse was designated in the file as the "head" or "reference person" in our analysis (usually the husband). Like the Census Bureau and other analysts, we exclude from our analysis households comprised of 5 or more unrelated adults, termed "group quarters." Persons living in military barracks and inmates of institutions are excluded altogether from the CPS sample.

Most figures in this report represent estimates derived from a sample and thus may differ from figures that would be derived from a complete census using the same questionnaire and procedures. To evaluate whether observed differences between groups were likely to represent sampling error rather than true differences in the populations, we performed tests of statistical significance on all such comparisons. These tests followed the methods for calculating standard errors in each Census Bureau household statistics publication. Following Census Bureau practice, unless otherwise noted, only comparisons that were significant at a level of 0.10 or better are reported.

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## Strengths and Limitations of Our Approach

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### Strengths

Reanalysis of CPS data allowed us to make both national population estimates and fine-grained examinations of subpopulations. As a result, we were able to analyze high-risk groups within the context of the entire population. We were able to see the contribution and relative significance of changes in each group in comparison with the total poverty population. Use of CPS data also allowed us to compare our results with other poverty estimates prepared by the Census Bureau, CBO, and CRS.

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### Limitations of the Data

We used the March CPS as our primary data base because it is the most reliable nationally representative survey available of household

composition and income and includes many of the demographic and behavioral variables believed to influence poverty. However, in common with that of most household sample surveys, CPS data are affected by a number of sources of sampling and nonsampling error. The Census Bureau has made a number of efforts to minimize the effects of these sources of error (discussed in the technical appendixes of each of its annual poverty reports), including imputation of missing income data based on the responses of families with similar economic and demographic characteristics.<sup>7</sup> Testing the statistical significance of observed differences minimizes, but does not eliminate, possible misinterpretation of the effects of nonsampling errors and small changes in CPS procedures over this period. Nonetheless, we consider CPS data to be the most valid and reliable data available on annual personal and family income, short of incurring undue expense for additional data collection or invading personal privacy.

Many criticisms have been leveled at the official definition and methodology for measuring poverty. In a previous report, we analyzed some of these criticisms and the initial Census Bureau efforts to accommodate them in their experimental poverty measurement series. (See GAO, 1986b.) We discuss these criticisms, and the related adjustments to income requested by the Committee, in chapters 2 and 6.

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## Limitations of Our Methodology

Although we examined in detail a number of family characteristics in efforts to “explain” the differences in the poverty populations observed between 1980 and 1988, comparison of two groups of people at two points in time can only ascertain the characteristics associated with such differences, not ascribe causality to them. Other household surveys, such as the Panel Study of Income Dynamics (PSID) and SIPP, permit analyses of changes in individual family income sources and sequential, as distinguished from simultaneous, receipt of earnings and other income. However, we selected the CPS data as our primary data base because (1) the size and structure of its sample permitted national population estimates and statistical significance testing (unlike PSID), (2) it measures income on an annual basis (unlike SIPP, which measures income over a four-month period), and (3) CPS data were available over a broad time span (unlike SIPP, which began in 1984).

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## Organization of the Report

In chapter 2, we address the first set of questions about the basic changes in the composition of the poor between 1980 and 1988. After reviewing the

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<sup>7</sup>See Bureau of the Census (1977) for a full description of the design and methodology of CPS.

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various schemes used to classify the poverty population, we present one which we believe will be most useful. We then use this scheme to analyze the changes that occurred between 1980 and 1988, based on both the official definition of poverty and the inclusion of near-cash benefits and federal tax payments in family income. In chapters 3 through 5, we examine possible reasons for changes observed in the three groups selected for detailed analysis: single-parent families; families headed by a person with a disability; and families headed by a person under age 25, regardless of marital or disability status. In chapter 6, we conclude our analysis by examining other poverty measurement issues—specifically, the treatment of child care and child support payments, state taxes, and the family-size adjustments.

# Changes in the Size and Composition of the Poor Population

In this chapter, we address the question of how the composition of the poor has changed in recent years—specifically, between 1980 and 1988. To answer this question, we first examine various ways of characterizing and classifying the population that may help explain why people are poor. We then describe the approach we selected for this study, a classification scheme that separates out groups with a high risk of poverty and a high likelihood of eligibility for government transfer programs.

Using this classification scheme, we use CPS data on family income in 1980 and 1988 to estimate the size and poverty rates of specific subpopulation groups for these years. This allows us to examine the question of whether differences between these two years reflect changes in the general population or changes in poverty rates for specific groups. Finally, we examine the sensitivity of the poverty estimates to changes in the definition of income used in the determination of whether a family is poor. Specifically, we reanalyze the changes found in the CPS data, adjusting the official definition of cash income by incorporating the Census Bureau's estimates of the value of benefits received and taxes paid. Our assessment of the composition of the poor in this chapter sets the stage for a more detailed analysis of specific groups in later chapters.

## Characterizing and Disaggregating the Poverty Population

### Poverty-Population Typologies

A variety of typologies—or rules for classifying members of a population—have been used to describe some or all of the people who are poor. These typologies generally subdivide the population of poor people according to (1) demographic categories, (2) “special interest” groups (such as children), (3) groups eligible for poverty programs, or (4) variables that are likely to explain or give a reason for the group's poverty. Some typologies classify the population on the basis of personal characteristics, others on the characteristics of the family as a whole; in some cases, the rationale for the typology is explicit, but in other cases it must be inferred.

Demographic typologies generally classify people by such variables as age, sex, race, region of residence, and urban/rural residence. Although neither the policy nor the analytical significance of these variables may be clear,

they are commonly used to categorize the U.S. population and thus permit ready comparison with other data sets and analyses.

"Special interest" group typologies categorize the population into such groups as children, ethnic minorities, the elderly, and women. These categories may reflect a particular institutional or analytical interest in some subgroup of the population, and may be used to distinguish politically relevant subgroups. A variant on this is the concept of "underclass," often defined as the able-bodied persistently poor who are dependent on welfare, or else defined by residence in an area characterized by a high rate of teenage pregnancy, high school dropouts, welfare receipt, and male joblessness.

Program eligibility typologies generally categorize the population into such groups as the elderly, disabled, underemployed or low-wage heads of household, and single-parent families. These categories are based on distinguishing whether individuals are (or are likely to be) eligible for specific current or proposed programs providing government transfer payments, such as Social Security and SSI (for the elderly and disabled), unemployment compensation, the minimum wage, and AFDC (primarily for single-parent families). These typologies are particularly useful for estimating the probable cost of a program, the extent to which it reaches its targeted population, or its effectiveness in reducing poverty among that subpopulation.

Explanatory typologies generally categorize the population based on variables that might explain or give a reason for poverty, such as hours worked and hourly wages, the presence of a disability or other condition precluding employment, or other variables with a less direct relationship to poverty (for example, educational attainment or single-parent status). These variables tend to relate either directly to the work effort expended by the individual or to conditions or situations which are either negatively correlated with, or tend to limit, the capacity to earn a sufficient income. Thus, these variables could also include large family size, which strains the sufficiency of a householder's earnings.

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## Our Typology

To reflect the Committee's interests, we selected an explanatory typology of family poverty that includes characteristics influencing eligibility for federal assistance. In analyzing poverty—as opposed to simply describing who is affected by it—it is important to recognize that individuals generally live in families which share resources among themselves and,

thus, that an individual's resources are dependent on the income generated by his or her entire immediate family.<sup>1</sup> Although programs define families differently, the interdependence of family and personal income is recognized by both the multiperson "filing unit" used for federal income taxes and the multiperson "assistance unit" used for determining eligibility for assistance programs such as AFDC. Moreover, the poverty or wealth of a family is typically determined by the ability of the family head (or heads, in a married couple) to generate income. The AFDC program recognizes this by making eligibility contingent on the absence, death, disability or, more recently, unemployment of one of the children's parents.

Because there are several potential reasons for the income of a person or family to fall below the poverty line, it is important to select a categorizing scheme that will capture these reasons and permit the analyst to distinguish their importance in the population at large. Therefore, we partitioned the poverty population into mutually-exclusive subgroups, facilitating an examination of changes for each subgroup that could then be analyzed in a more detailed fashion.

Our typology combines a focus on those characteristics that both affect the ability of the family head to earn an income and determine access to the major forms of public assistance: age, disability, marital status of the family head, and the presence of dependent children.<sup>2</sup> The resulting typology forms the following six nonoverlapping groups:

- elderly (over age 65) individuals and family heads;
- disabled (unable to work due to a disability) nonelderly individuals and family heads;
- single-parent families (unmarried, nonelderly family heads without a disability with children under 18);
- married-couple families (nonelderly family heads without a disability with children under 18);
- families without children under 18 (a group of related adults headed by a nonelderly person without a disability); and
- unrelated individuals (nonelderly persons without a disability living alone or with persons unrelated to them).<sup>3</sup>

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<sup>1</sup>Of course, individuals living alone are dependent on their own resources. Such individuals are treated as families. All discussions of families include individuals living alone unless explicitly stated otherwise.

<sup>2</sup>For example, marital status may affect access to public assistance because, until 1990, AFDC was restricted in nearly half the states to single-parent families.

<sup>3</sup>Unless specified, we refer to married couples, single parents, and (unrelated) individuals with the understanding that they are not elderly or persons with disabilities.

This typology is applied to the cps data in the order given here. Hence, the typology first isolates families headed by the elderly or disabled because these persons are generally assumed to be at greatest disadvantage in supporting themselves or a family. By isolating these groups first, we can then examine the influence of family composition and other variables on poverty, independent of age and disability status.

In summary, our typology for characterizing the poor made it possible to

- characterize families, rather than persons, in poverty;
- categorize families' poverty by the family head's actual or presumed ability to support a family through earnings;
- perform analyses of the potential reasons for family poverty; and
- characterize the family's probable ability to utilize the major federal programs of public assistance to the poor.

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## Comparisons With Other Typologies

We have not designed this typology for direct use in targeting programs, assessing program alternatives, or identifying a family's immediate cause of poverty. Rather, it is intended to provide a portrayal of the overall need for income assistance programs, how well different groups are faring over time, and how these groups compare to one another. This broad view can provide only a general picture of the appropriateness of income assistance program targeting and effectiveness.

The characteristics used in our typology to disaggregate the poverty population are intended to provide information that translates more directly than some other characteristics to tax, employment or assistance policy. Our typology does not employ purely demographic variables such as age, sex, and race, since differences in poverty rates on such variables would be difficult to translate into policy. For example, very young children (identified by the demographic variable, age) have recently received special attention due to their particularly high risk of poverty. Since their poverty is solely a product of their family's inability to produce sufficient income, we believe it is more useful to look at their parents' characteristics to develop an explanation for—and then a strategy for improving—their economic situation. Thus, examining young families with children (from a policy orientation) is preferable to examining only the characteristics of young children. (Most young children have young parents.) We examine the size and poverty status of this group of families in chapter 4.

Similarly, our typology does not categorize groups based on such variables as hours worked or educational attainment—again, in order to maintain its broad policy relevance. We are not as interested in the specific relationship of hours worked or education to poverty as we are in the role of employment in securing family income. Thus, our typology provides little information on the immediate cause of a family's poverty but rather measures its vulnerability to poverty by focusing on such characteristics as the advanced age or disability of the family head or single parenthood, all of which limit availability for full-time employment. Once specific groups have been identified, additional analyses can be performed to examine more immediate "causes," such as level of employment. This is what we do in chapters 3, 4, and 5 in examining single-parent families, young families, and families headed by persons with a disability.

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### **Limitations of CPS Data for Our Typology**

CPS data have certain limitations that may affect the estimates we make here of specific populations or their characteristics. Most of these limitations stem from the nature of the questions respondents are asked. Our characterization of the disability status of persons interviewed in the CPS (which follows Census Bureau procedures for identifying persons with a disability) relies upon an unverified self-report and thus may not correspond to any disability program's definition. We categorized persons as disabled if they reported receiving disability program benefits (Medicare or SSI for the nonelderly) or if they reported themselves as having a disability that precluded employment. No independent verification was available of their disability status, including its nature or seriousness. Moreover, the CPS convention of accepting the respondents' designation of who heads the family may result in an undercount of families in which the nondisabled spouse has taken on the role of family head.

Similarly, although our typology attempts to capture a family's access to public forms of income security (such as Social Security, SSI, and AFDC), a family's eligibility for these transfer programs cannot be assessed accurately with the CPS data. For example, these programs often condition eligibility on more detailed situational information (such as recent work history or value of assets) than is available in the CPS data. Some of these programs also use monthly rather than annual income as their base, and some deduct medical or housing expenses from income in determining eligibility. This information is not available in the CPS data. Thus, it is not possible to estimate accurately program undercoverage from CPS



data—that is, how many eligibles remain unserved by a specific assistance program.

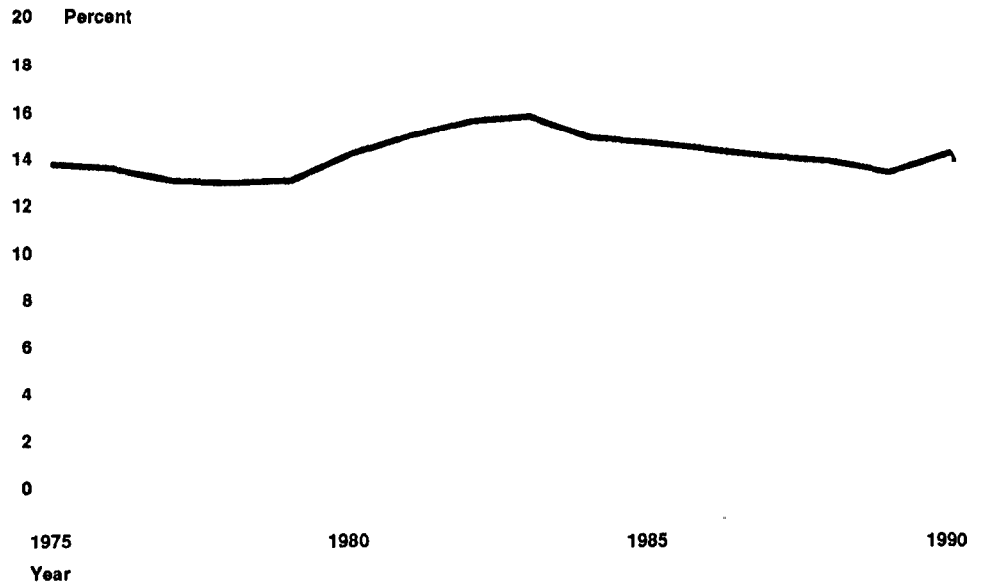
CPS data can, however, be used to identify broadly how many members of a needy class are receiving benefits from a given program designed to assist them, and how well the cash or near-cash assistance helps recipients to escape poverty. Thus, our typology permits examination of how well public programs and policies, as currently configured, respond to the current needs and characteristics of the poverty population.

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## **Recent Trends in Growth of Major Subgroups of the Poverty Population**

We applied the typology described here to the March CPS income supplement data for 1980 and 1988 to address the questions of (1) what differences have occurred in the composition of the poor and (2) whether these differences reflect changes in the general population or simply changes in poverty rates for specific groups. Figure 2.1 shows the overall poverty rate trend for families and individuals between 1975 and 1990. After a gradual decline in the late 1970s, the poverty rate began increasing in 1979, peaked in 1982, and began another period of gradual decline that continued through the remainder of the 1980s. Recent data show another increase in the poverty rate. For the two years examined in detail in this report (1980 and 1988), the poverty rate can be treated as identical (only an estimated 0.3 percentage point decline). Thus, we can focus on examining changes in the composition of the poor that are not simply the result of poverty having extended further into the population at large.

Figure 2.1: Poverty Rate for Families,  
1975-90<sup>a</sup>



<sup>a</sup>Includes individuals living alone.

Source: Bureau of the Census, Poverty in the United States: 1990, Current Population Reports, Series P-60, No. 175 (Washington, D.C.: U.S. Government Printing Office, 1991b).

## Who Are the Poor?

The numbers, poverty rates, and proportions of the poverty population in 1980 and 1988 for the subgroups formed by our typology are shown in table 2.1. Overall, there was a decline of 0.3 percentage points in the poverty rate (from 14.4 to 14.1 percent of families, not statistically significant). However, the number of families in poverty increased by 1.6 million primarily due to an increase of 15 percent in the number of all families, which represents population growth, as well as an increase in the proportion of families comprised of adults living alone (from 20 to 23 percent of all families).<sup>4</sup> Using our typology to disaggregate both the general and poverty populations revealed two important points: (1) the

<sup>4</sup>Note that, because our counts represent both families and single individuals, these figures do not represent the number of persons living in families. Appendix I contains the same table showing the number of persons in these families. By comparison, in 1988, the number of persons in elderly-headed families constituted about 13-14 percent of the total population and of the poor, while those in single-parent families with children under 18 made up 10 percent of the total population, as well as about one third of the poverty population. Those in married-couple families with children under 18 made up 42 percent of the general population in 1988, but only 24 percent of the poor. In contrast, singles constituted about 9 percent of the general population and 12 percent of the poverty population.

poverty population is distributed across types quite differently from the general population, and (2) the poor nevertheless remain quite diverse.

**Table 2.1: Composition of the General and Poverty Populations, 1980 and 1988<sup>a</sup>**

Family type	All families		Poverty rate		Poor families	
	1980	1988	1980	1988	1980	1988
Elderly-headed	17,178 (19.6%)	20,080 (20.0%)	19.1%	14.8%**	3,285 (26.0%)	2,980 (21.0%)
Disabled-headed	4,044 (4.6%)	4,562 (4.5%)	41.7	44.8	1,686 (13.3%)	2,042 (14.4%)
Single-parent families with children under 18	6,466 (7.4%)	8,117 (8.1%)	39.0	39.9	2,522 (20.0%)	3,238 (22.8%)
Married-couple families with children under 18	24,539 (27.9%)	24,599 (24.4%)	6.8	6.4	1,659 (13.1%)	1,572 (11.1%)
Unrelated individuals (singles)	17,684 (20.1%)	23,012 (22.9%)	6.4	15.9	2,902 (23.0%)	3,667 (25.8%)
Families without children under 18	17,923 (20.4%)	20,281 (20.1%)	3.2	3.5	577 (4.5%)	702 (5.0%)
<b>Total</b>	<b>87,834 (100.0%)</b>	<b>100,649 (100.0%)</b>	<b>14.4%</b>	<b>14.1%</b>	<b>12,630 (100.0%)</b>	<b>14,201 (100.0%)</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

Only unrelated-individual households and families headed by elderly persons (in 1988) have a representation among the poor roughly equivalent to their presence in the general population. They each comprise one fifth or more of both the general and poor populations. Otherwise, families in general are composed primarily of married-couple families with children and families without children. Conversely, poor families are additionally composed primarily of single-parent families. Families headed by persons with a disability are dramatically overrepresented among the poor, with 13 to 14 percent of poor families falling into this category as opposed to only 5 percent of all families. Among the nonelderly, nondisabled family heads with children, most (three fourths or more) are married-couple families in the general population, while most of the poor families with children (about two thirds) are headed by single parents.

Our typology appears to have successfully identified those families at the highest risk of falling into poverty. In the years we analyzed, 58 to 59

percent of poor families were headed by elderly, disabled, or single parents—all persons identified by our typology as at high risk of being unable to support themselves through earnings. Although these family types made up only 32 to 33 percent of all families, their higher-than-average poverty rates (except for the elderly in 1988) accounted for their high representation among the poor.

However, in neither the general nor the poor population does 1 of these 6 types represent more than 28 percent of families. Indeed, our typology—developed to isolate families at high risk of poverty for various reasons—demonstrates that, like the general population, the poor are highly diverse. For example, despite the common association of single parenthood with poverty, only 20 to 23 percent of poor families were of that type across the years analyzed. More surprising was the fact that such a large proportion (20 to 26 percent) of both the general and poor populations (of families, not all persons) was comprised of single adults. And, while the poverty rate of single adults was only slightly elevated relative to the overall figure, their very large representation in the general population resulted in their accounting for roughly a quarter of all poor families. Because of its large representation among the poor, this group may become of greater policy interest because they currently are eligible for fewer forms of public assistance.

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### **Changes in the Composition of the Poor**

Classifying families by their presumed ability to support themselves through earnings uncovered some small but important shifts in the composition of the poor. In 1988, compared with 1980, poor families were

- less likely to be headed by an elderly person (from 26 to 21 percent of poor families) or to be a married-couple family with children (from 13 to 11 percent), and
- more likely to be headed by a single parent (from 20 to 23 percent of poor families) or to consist of a single adult (from 23 to 26 percent).

Thus, in 1988, the largest subgroup of the poor, according to our typology, was no longer families headed by an elderly person but rather those headed by nonelderly, nondisabled, single adults.

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### **Reasons for These Changes**

These changes came about due to a combination of general demographic shifts and changes in poverty rates for certain subgroups. We saw that the overall poverty rate declined from 14.4 percent in 1980 to 14.1 percent in

1988. Had there been no change in the poverty rates for each subpopulation between 1980 and 1988, the demographic shifts among these subpopulations alone would have increased the overall poverty rate. That is, applying the subgroups' poverty rates in 1980 to their sizes in 1988 results in an overall rate of 14.9 percent in 1988.

Demographic changes were primarily responsible for the increased representation among the poor of single parents with children under 18 and nonelderly, nondisabled, single individuals. Ninety percent of the increase of about 716,000 poor single parents was due to their increase in the general population; only 10 percent of their increased numbers can be attributed to an increase in their poverty rate.

The number of nonelderly, nondisabled, single adults grew substantially between 1980 and 1988. Based on this growth alone, the number of poor single adults would have increased by 870,000 persons. Instead, due to the decline in the poverty rate for this group, the increase was 760,000. Finally, among the families headed by a person with a disability, there was a 360,000 increase in the number living in poverty. Of this increase, 60 percent can be attributed to the increase in the general population, while 40 percent arose from an increase in the poverty rate for this group.

In contrast, elderly-headed families declined as a proportion of the poor due to a statistically significant decrease in their risk of being poor. Given their population growth alone, we would have expected an increase of about 550,000 poor, elderly-headed families. Instead, we saw a decrease of 300,000 families. Hence, the change in the number of poor among these families was due primarily to a change in their poverty rate.

In addition, it should be noted that the increase in single parents as a proportion of all families reflects an increase in the proportion of children living with single parents, not a decline in the number of two-parent families, which barely changed at all (less than a 1-percent increase). Thus, among the family types with children, the proportion headed by single parents increased from one fifth to one fourth, while among the poor it increased from 60 to 67 percent. This growth in single-parent families represents the continuation of a trend beginning in the 1960s, reflecting increases in both the divorce rate and the proportion of births outside marriage. We examine reasons for this continued increase in chapter 3.

Although the poverty rate increased by 3 percentage points for family heads with a disability, the increase is not statistically significant and their

small representation among the general population kept them from increasing noticeably as a proportion of the poor. However, because their poverty rate is so high, we examine this group and its changes over time in chapter 5.

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**Effects of Income  
Adjustments on Trends in  
Poverty**

Several criticisms have been leveled at the current official method of determining poverty. The two most prominent criticisms are that the current measurement of poverty

- compares before-tax income with thresholds that were developed on the basis of family expenditures of after-tax income, and
- fails to include near-cash benefits (such as food stamps and housing subsidies) that increase a family's disposable income (and that have grown substantially since the current method for poverty measurement was developed).<sup>5</sup>

Since 1980, the Census Bureau has been developing alternative measures of income (and thus poverty) by adjusting reported before-tax income with their own estimates of the value of food, school lunch, housing, and medical benefits received, and then subtracting an estimate of the state and federal income and payroll taxes paid for each family in the CPS sample. For the past several years, CBO and CRS have been using a similar strategy to adjust poverty rates, although CBO has developed its own estimates of a family's federal tax payments for these analyses. Due to the considerable controversy surrounding how to value publicly- and privately-provided health insurance with regard to increasing a family's disposable income, neither we, CRS, nor CBO have incorporated the value of these benefits in our poverty analyses.

Table 2.2 reports the poverty rates using the Census Bureau's estimates of near-cash food and housing benefits, as well as federal income and payroll taxes, in the definition of income (including the Earned Income Tax Credit, where applicable). Incorporating near-cash benefits and federal taxes in calculating poverty rates had little effect on the trends over time in the composition of the poor arrived at by employing the official poverty definition. However, not surprisingly, both the overall poverty rate and the rates for the most vulnerable subgroups were reduced.

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<sup>5</sup>In chapter 6, we explore some other issues raised in criticisms of current methods of measuring poverty (incorporating state taxes, child care and child support payments, and the adequacy of the family-size adjustments). It was beyond our scope to address other prominent criticisms of the official poverty definition. The National Academy of Sciences is currently studying statistical issues involved in measuring and understanding poverty.

**Chapter 2**  
**Changes in the Size and Composition of the**  
**Poor Population**

**Table 2.2: Composition of the General and Poverty Populations, Using Adjusted Definition of Income, 1980 and 1988<sup>a</sup>**

Family type	All families <sup>b</sup>		Poverty rate		Poor families <sup>b</sup>	
	1980	1988	1980	1988	1980	1988
Elderly-headed	17,178 (19.6%)	20,080 (20.0%)	16.6%	12.2%***	2,845 (24.6%)	2,447 (18.6%)
Disabled-headed	4,044 (4.6%)	4,562 (4.5%)	35.2	38.4	1,425 (12.3%)	1,750 (13.3%)
Single-parent families with children under 18	6,466 (7.4%)	8,117 (8.1%)	32.1	34.6	2,076 (17.9%)	2,809 (21.3%)
Married-couple families with children under 18	24,539 (27.9%)	24,599 (24.4%)	6.4	6.3	1,566 (13.5%)	1,547 (11.7%)
Unrelated individuals (singles)	17,684 (20.1%)	23,012 (22.9%)	17.4	17.1	3,074 (26.5%)	3,931 (29.8%)
Families without children under 18	17,923 (20.4%)	20,281 (20.1%)	3.3	3.5	593 (5.1%)	707 (5.3%)
<b>Total</b>	<b>87,834 (100.0%)</b>	<b>100,649 (100.0%)</b>	<b>13.2%</b>	<b>13.1%</b>	<b>11,579 (100.0%)</b>	<b>13,191 (100.0%)</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>This table reproduces the analyses reported in table 2.1. Here, however, family income includes the estimated market value of food and housing benefits received and federal income taxes paid.

<sup>b</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

The official poverty rates for families with elderly heads and heads with a disability, as well as for single-parent families with children under 18, were higher in both 1980 and 1988 than the corresponding adjusted poverty rates. Poverty rates for married-couple families with children under 18 and for families without children were essentially unchanged by the adjustment. However, the adjustment increased the poverty rate for unrelated individuals.

The changes in the adjusted poverty rates between 1980 and 1988 were very similar to the changes in the poverty rates under the official definition for all family groups except single parents with children under 18. Under the official definition, the latter group's poverty rate increased by 0.9 percentage points (see table 2.1), whereas it increased by 2.5 percentage points with the adjustment for near-cash benefits and federal taxes. Essentially, this occurred because near-cash benefits were less for this group in 1988 than in 1980.

For unrelated individuals and families without children, the inclusion of food and housing benefits is not likely to affect their total income. Very few families in these groups are eligible for such benefits. Because they have no dependents to reduce their tax liability, the subtraction of federal taxes from the income of unrelated individuals reduces their net incomes to the point where some fall below the poverty threshold.

Incorporating near-cash benefits and federal taxes does alter the profile of the poor somewhat in both years, reducing the prevalence of the groups considered vulnerable a priori compared with the profile observed under the official poverty definition. Thus, by 1988, single adults represented by far the largest group (nearly 30 percent) of poor families based on adjusted income, while elderly heads represented only 19 percent (compared to 21 percent of the poor under the official definition).

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## Summary

The overall poverty rate for U.S. families in 1988 differed little from the rate in 1980, declining from 14.4 percent to 14.1 percent. However, classifying families by their presumed ability to support themselves through earnings uncovered some small but important shifts in the composition of the poor. In 1988, families headed by an elderly person and married-couple families with children had declined as a proportion of the poor. Instead, poor families were more likely to be headed by a single parent or to consist of a nonelderly, nondisabled, single adult, compared with 1980. These changes came about as a result of

- a 4 percentage point decline in the poverty rate for families headed by an elderly person, and
- large increases in the proportions of families headed by single parents and consisting of nonelderly single individuals.

Adjusting the official poverty definition to incorporate near-cash benefits and federal taxes reduced poverty rates overall and for the most vulnerable groups. However, these adjustments did not affect the poverty rate changes over time, except for single parents with children under 18—whose adjusted poverty rate increased because of the reduced influence of near-cash benefits.



# Single Parents

In our typology, we identified single-parent families as those families headed by a nonelderly, nondisabled male or female with at least one related child under 18 in the household. In chapter 2, we found that the number of single-parent families increased by 26 percent between 1980 and 1988. This resulted in single-parent families becoming a larger share of the poor, increasing from 20 to 23 percent. We also saw that this group had a very high poverty rate, almost 40 percent, with little change between the years. However, as we report in this chapter, when we examined this group more closely, we found that an increase in the number of those headed by single men masked a higher poverty rate for families headed by single women. We also found that a small (10 percent in 1980) but increasing (to 13 percent in 1988) portion of single parents were possibly cohabiting (and hence sharing resources) with a person of the opposite sex.

This chapter addresses the following questions: (1) What accounts for the large increase in the total number of single-parent families? (2) What accounts for the high poverty rate of female-headed single-parent families? (3) What effect does access to a cohabiting partner's resources have on the poverty rate?

## General Increase in Single-Parent Families

In 1980, there were 6.5 million (nonelderly, nondisabled) single-parent families; by 1988, this number had grown to 8.1 million, an increase of 25.5 percent. To explore the reasons for the increase in the total number of single-parent families, we analyzed the 1980 and 1988 cps files in the light of several factors, including increasing divorce rates, births outside of marriage, and cohabitation by unmarried couples. Specifically, we addressed the following questions:

- Is the increase an artifact of the Census Bureau's definition of family as those related by blood or marriage (not taking into account how many single-parent family heads are cohabiting with an opposite sex adult)?
- Does the increase reflect a growth in traditional single-parent families headed by divorced or separated single mothers?
- Does the increase represent the expansion of a subpopulation of single parents traditionally at high risk of poverty—that is, never-married, teenage high school dropouts?

## Effect of Cohabitation on the Count of Single-Parent Families

Because cps defines families as those persons related by blood or marriage only, the increasing number of cohabiting couples with children swells the official count of single-parent rather than married-couple families.

Including cohabiting couples in the single-parent category could cause an overstatement of the number of single parents raising their children alone, as well as an understatement of the resources available to them, in identifying their poverty rate. However, using a simple definition of cohabitation—the presence of two unrelated adults of the opposite sex in a household, one of whom is a single parent with children under 18—we found that increased cohabitation explained only a part of the increase in the number of single-parent families.<sup>1</sup>

In order to take cohabitation into account, we distinguished three major types of living arrangements for single-parent families: (1) those living as the sole family in the household, (2) those living with an individual or another family headed by an unrelated person of the opposite sex, and (3) those living in other multifamily arrangements (such as with a same-sex roommate).<sup>2</sup> As shown in table 3.1, most single parents were living alone in both 1980 and 1988, although by 1988 they were less likely to do so. Nevertheless, the total number of single parents living alone still increased by 12 percent. Growth in the number of single-parent families cohabiting or otherwise living with others clearly made up a large part (61 percent) of the increase in all single-parent families during the 1980s; by 1988, almost 25 percent of these families were sharing their households with others.

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<sup>1</sup>Later in the chapter, we examine the effect of combining the income of these couples on the poverty rate of single-parent families.

<sup>2</sup>Single parents living in the household of relatives—for example, those living with their parents—are not included in any of these analyses because they typically would not be designated as the family head in such households.

**Table 3.1: Poverty Rates for Different Household Compositions of All Single-Parent Families, 1980 and 1988\***

Family type	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
Single- parent families living alone	2,107 (84%)	5,464 (85%)	38.6%	2,482 (77%)	6,116 (75%)	40.6%
Cohabiting single- parent families	294 (12%)	660 (10%)	44.6	453 (14%)	1,095 (13%)	41.4
Single- parent families living with others	121 (5%)	342 (5%)	35.4	303 (9%)	906 (11%)	33.4
<b>Total</b>	<b>2,522 (100%)</b>	<b>6,466 (100%)</b>	<b>39.0%</b>	<b>3,238 (100%)</b>	<b>8,117 (100%)</b>	<b>39.9%</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

While only 13 percent of single-parent families were apparently cohabiting in 1988 (up from 10 percent in 1980), this increase accounted for 26 percent of the 1.65 million additional single-parent families found in 1988. In addition, in both years, male single parents were much more likely to cohabit than were female single parents. (See table 3.2.) The rate of cohabitation increased for both male and female single parents between 1980 and 1988, although the difference was statistically significant only for single mothers.

**Table 3.2: Composition of Single-Parent Households, by Gender, 1980 and 1988<sup>a</sup>**

Family type	1980		1988	
	Number	Percent of total	Number	Percent of total
<b>Female-headed</b>				
Living alone	4,987	86.7	5,438	78.3
Cohabiting	488	8.5	757	10.9
Other	281	4.9	745	10.7
<b>Total</b>	<b>5,756</b>	<b>100.0</b>	<b>6,941</b>	<b>100.0</b>
<b>Male-headed</b>				
Living alone	476	67.0	677	57.6
Cohabiting	173	24.3	337	28.7
Other	61	8.6	162	13.8
<b>Total</b>	<b>710</b>	<b>100.0</b>	<b>1,176</b>	<b>100.0</b>

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

In summary, a small part of the increase in the number of single-parent families occurred among those who may constitute unmarried couples. To the extent that cohabitants should be counted as married couples for the purpose of determining their poverty status—and we do not know how many of these couples are sharing resources—they represent a modest inflation in the number of single-parent families counted by the Census Bureau's definition of families.

## Increase in Never-Married Single-Parent Households

As indicated in table 3.3, while divorced or separated women still represented the majority of single parents, males and never-married women were increasingly assuming the role of single parent. Males increased from 11 to 15 percent of all single parents, while the growth in females heading single-parent families was concentrated among those who had never married, a group that increased by 850,000 to represent 23 percent of all single parents. Never-married women accounted for just over half of the increase in single-parent families between 1980 and 1988. Thus, another factor in the increase in the number of single parents seems to be the growing number of births occurring outside marriage, rather than an increase in the divorce rate.

**Table 3.3: Marital Status of Single-Parent Family Heads, by Gender, 1980 and 1988<sup>a</sup>**

Marital status by gender	1980		1988	
	Number	Percent of total	Number	Percent of total
<b>All</b>				
Previously married	5,302	82.0	5,845	72.0
Never married	1,164	18.0	2,271	28.0
<b>Total</b>	<b>6,466</b>	<b>100.0</b>	<b>8,117</b>	<b>100.0</b>
<b>Male</b>				
Previously married	583	9.0	794	9.8
Never married	127	2.0	381	4.7
<b>Total</b>	<b>710</b>	<b>11.0</b>	<b>1,176</b>	<b>14.5</b>
<b>Female</b>				
Previously married	4,719	73.0	5,051	62.3
Never married	1,037	16.0	1,890	23.2
<b>Total</b>	<b>5,756</b>	<b>89.0</b>	<b>6,941</b>	<b>85.5</b>

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

## Changing Characteristics of Never-Married Women

To examine the remaining reasons for the increase in single parents, we focused our analyses on the group with the largest numeric increase—never-married mothers. To clarify the factors involved and avoid confounding these with the issue of whether single-parent families are gaining resources from the other members of their household, we restricted our analyses to female-headed families living alone—that is, as the sole component of a household.

Although female-single-parent families were less likely to live alone in 1988 than 1980, those who did remained the most prominent subgroup of all single-parent families (77 percent in 1980 and 67 percent in 1988) and grew from 5.0 million in 1980 to 5.4 million in 1988.

Table 3.4 shows the changes in marital status among women heading families and living alone. Like all single parents, most of these mothers were previously married, although less frequently so in 1988. Indeed, for those living alone, the number of previously-married women declined slightly between 1980 and 1988, while those who had never married increased by 69 percent.

**Table 3.4: Marital Status of Female Heads of Single-Parent Families Living Alone, in Total and by Presence of Children Under 6, 1980 and 1988\***

Group	1980		1988	
	Number	Percent of total	Number	Percent of total
<b>All</b>				
Previously married	4,147	83.1	4,017	73.9
Never married	841	16.9	1,422	26.1
<b>Total</b>	<b>4,988</b>	<b>100.0</b>	<b>5,439</b>	<b>100.0</b>
<b>With children under 6</b>				
Previously married	1,307	70.2	1,307	58.6
Never married	555	29.8	923	41.4
<b>Total</b>	<b>1,862</b>	<b>100.0</b>	<b>2,230</b>	<b>100.0</b>
<b>Without children under 6</b>				
Previously married	2,840	90.9	2,710	84.5
Never married	286	9.2	499	15.6
<b>Total</b>	<b>3,126</b>	<b>100.0</b>	<b>3,209</b>	<b>100.0</b>

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

Thus, the increase in number of never-married mothers entirely accounts for the increased number of female-single-parent families living alone. Moreover, this increase occurred primarily among those mothers with children under 6—that is, relatively new mothers, 41 percent of whom (up from 30 percent) had not married. This finding confirms that births occurring outside marriage have been more influential than the divorce rate in contributing to the increase in female-headed families in this period.

To better understand this phenomenon and its possible consequences for these women's ability to support themselves, we examined a number of characteristics of the never-married group: their age, level of education, and whether these women became mothers when they were teenagers.

Most never-married female heads of single-parent families living alone are young. (See table 3.5.) In 1980, 37 percent of these women were under age 25, and 84 percent were under 35. By 1988, however, this group tended to be older. Only 30 percent were under 25 in 1988, while nearly 68 percent of these never-married women were between ages 25 and 44 in 1988, up from 59 percent in 1980 (figures not shown). This shift may reflect changes in the age distribution of the general population, as well as the overall trend of women postponing having children.

**Table 3.5: Change in Characteristics of Never-Married Female-Headed Single-Parent Families Living Alone, 1980 to 1988\***

Characteristic	1980		1988	
	Number	Percent of total	Number	Percent of total
<b>Age group</b>				
15 to 24	315	37.4	423	29.8
25 to 34	396	47.1	720	50.6
35 to 64	130	15.5	279	19.6
<b>Total</b>	<b>841</b>	<b>100.0</b>	<b>1,422</b>	<b>100.0</b>
<b>Educational level</b>				
Did not complete high school	329	39.1	482	33.9
Completed high school	362	43.0	659	46.3
Some college (including graduates)	149	17.7	281	19.8
<b>Total</b>	<b>841</b>	<b>100.0</b>	<b>1,422</b>	<b>100.0</b>
<b>Teenage motherhood</b>				
Not a teenage mother	444	52.8	845	59.4
Teenage mother	397	47.2	578	40.6
<b>Total</b>	<b>841</b>	<b>100.0</b>	<b>1,422</b>	<b>100.0</b>

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

Most never-married women (over 60 percent in both years) heading single-parent families living alone had at least a high school education. (See table 3.5.) Moreover, between 1980 and 1988, their education levels increased slightly. Numerically, almost three quarters of the increase in this group (430,000 out of 600,000) occurred among women with at least a high school education.

Almost two thirds of these never-married mothers had children under 6 (not shown). There was little change in this proportion between 1980 and 1988. A substantial portion of these women had their oldest child when they were teenagers. (See table 3.5.<sup>3</sup>) Although teenage mothers continued to be overrepresented among never-married single mothers, they did not represent a disproportionate share of the increase in this group. In fact, the proportion of women heading single-parent families living alone who had been teenage mothers declined from 47 to 41 percent by 1988.

<sup>3</sup>These percentages may be underestimates since some women may have had older children who were no longer living with them.

In summary, never-married single mothers living alone were mostly under age 35 (over 80 percent in both years), had at least a high school education (over 60 percent), and had children under 6 (about 65 percent). Over 50 percent had their oldest child when they were over age 20. These percentages describe a typical case, but they do not portray the changes that occurred between 1980 and 1988.

The increase in single mothers in 1988 compared with 1980 can be seen to have resulted from an increase in births outside of marriage to older and better educated women than previously. In 1988, never-married mothers were less likely than in 1980 to have been teenage mothers and not to have completed high school. Thus, the increase in never-married mothers living alone does not appear to result from an increase in what may be a common stereotype—that is, teenage high school dropouts bearing children outside of marriage. Although teenage births frequently occur outside of marriage, our analysis—which excluded young mothers who were living with their own parents—did not find that phenomenon to have had much effect on the number of single mothers heading families. (See CBO, 1990, for an examination of the living arrangements of all teenage mothers.)

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## The Poverty of Female-Headed Single-Parent Families Living Alone

As table 3.1 indicates, the poverty rate for single parents remained approximately constant between 1980 and 1988 (at 39.0 and 39.9 percent, respectively). However, when analyzing the poverty of single parents by gender, we found that the increase in the number of men masked the greater poverty of the women. Table 3.6 shows that female-headed single-parent families are nearly three times as likely to be in poverty as male-headed families. As a result, the presence of male-headed families reduces the poverty rate for all single parents. Since the number of single-parent families headed by men also increased substantially (representing 14 percent of single-parent families in 1988, up from 11 percent in 1980), the overall poverty rate for single parents was lower in 1988 than it would have been without the increase. In fact, if the poverty rates for the two groups had remained the same between 1980 and 1988, this distribution shift would have resulted in a decrease in the overall poverty rate.



**Table 3.6: Poverty Rates for Single-Parent Families, by Sex of Family Head, 1980 and 1988\***

Sex of family head	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
Male	120 (5%)	710 (11%)	16.9%	184 (6%)	1,176 (14%)	15.7%
Female	2,402 (95%)	5,756 (89%)	41.7	3,054 (94%)	6,941 (86%)	44.0
<b>Total</b>	<b>2,522 (100%)</b>	<b>6,466 (100%)</b>	<b>39.0%</b>	<b>3,238 (100%)</b>	<b>8,117 (100%)</b>	<b>39.9%</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

Since the number of single mothers is so large and has increased substantially, we probed their characteristics to understand their high poverty rate and why they experienced an apparent—although not statistically significant—increase in poverty between 1980 and 1988. Due to the potentially confounding effect of resources available from household members outside the family, we focus our analysis on female-headed families living alone.<sup>4</sup> We conducted exploratory analyses to learn how single-parent families had changed in ways that would affect their ability to be self-sufficient. In particular, we analyzed changes in marital status, age, presence of young children, and educational attainment.

## Changes in Single Mothers' Characteristics

While never-married mothers accounted for much of the increase in the number of single parents, they explained only part of the high poverty rate for female-headed families. Separated and divorced mothers represented fully three quarters of single-mother families living alone, and they exhibited high poverty rates of 36 to 37 percent. (See table 3.7.) The poverty rate for the never-married female heads (about 65 percent) was much higher and increased the overall average, but there was no significant change in these rates between the two years. In addition, the presence of young children increased the likelihood of poverty, regardless of whether the mother had previously been married.

<sup>4</sup>In the last section of this chapter, we analyze the circumstances of the cohabiting families.

**Table 3.7: Poverty Rates for Female-Headed Single-Parent Families Living Alone, by Marital Status and Presence of Children Under 6, 1980 and 1988<sup>a</sup>**

Marital status of family head	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>All</b>						
Previously married	1,500 (73%)	4,147 (83%)	36.2%	1,482 (62%)	4,017 (74%)	36.9%
Never married	548 (27%)	841 (17%)	65.2	912 (38%)	1,422 (26%)	64.1
<b>Total</b>	<b>2,048 (100%)</b>	<b>4,988 (100%)</b>	<b>41.1</b>	<b>2,394 (100%)</b>	<b>5,439 (100%)</b>	<b>44.0</b>
<b>With children under 6</b>						
Previously married	751 (65%)	1,307 (70%)	57.5	746 (53%)	1,307 (59%)	57.1
Never married	408 (35%)	555 (30%)	73.5	654 (47%)	923 (41%)	70.9
<b>Total</b>	<b>1,159 (100%)</b>	<b>1,862 (100%)</b>	<b>62.2</b>	<b>1,400 (100%)</b>	<b>2,230 (100%)</b>	<b>62.8</b>
<b>Without children under 6</b>						
Previously married	749 (84%)	2,840 (91%)	26.4	736 (74%)	2,710 (84%)	27.2
Never married	140 (16%)	286 (9%)	49.0	258 (26%)	499 (16%)	51.7
<b>Total</b>	<b>889 (100%)</b>	<b>3,126 (100%)</b>	<b>28.4</b>	<b>994 (100%)</b>	<b>3,209 (100%)</b>	<b>31.0</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

One expects youth to be related to poverty because of the lower earnings of entry-level jobs. While age was generally inversely related to poverty in the full single-mother population (not shown), this relationship is primarily the product of younger women being more likely to have young children. As shown in table 3.8, which groups single mothers into those with and without young children, the poverty rate does not seem to be related to age for either group, with the exception of the youngest mothers (who have higher poverty rates than other women). However, the presence of a young child was associated with increased poverty rates in

all age groups in both years (not statistically significant in some groups due to small sample size).

**Table 3.8: Poverty Rates by Age Group of Female-Headed Single-Parent Families Living Alone, 1980 and 1988<sup>a</sup>**

Age group of family head	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>With young children</b>						
15 to 24	391 (34%)	527 (28%)	74.0%	456 (32%)	588 (26%)	77.6%
25 to 34	559 (48%)	963 (52%)	58.1	753 (54%)	1,273 (57%)	59.2
35 to 44	155 (13%)	250 (13%)	62.0	167 (12%)	323 (14%)	51.7
45 to 64 <sup>b</sup>	54 (5%)	120 (6%)	45.0	25 (2%)	46 (2%)	54.3
<b>Total</b>	<b>1,159 (100%)</b>	<b>1,862 (100%)</b>	<b>62.3</b>	<b>1,400 (100%)</b>	<b>2,230 (100%)</b>	<b>62.8</b>
<b>Without young children</b>						
15 to 34 <sup>b</sup>	405 (46%)	1,108 (35%)	36.6	444 (45%)	997 (31%)	44.5
35 to 44	319 (36%)	1,272 (41%)	25.1	389 (39%)	1,597 (50%)	24.4
45 to 54	127 (14%)	577 (18%)	22.0	109 (11%)	500 (16%)	21.8
55 to 64	38 (4%)	169 (5%)	22.5	50 (5%)	115 (4%)	43.5
<b>Total</b>	<b>888 (100%)</b>	<b>3,126 (100%)</b>	<b>28.4</b>	<b>994 (100%)</b>	<b>3,209 (100%)</b>	<b>31.0</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

<sup>b</sup>Age groups combined due to small sample size.

Level of educational attainment is highly related to poverty status for single mothers, regardless of the presence of children under 6. Table 3.9 shows that while educational attainment increased between 1980 and 1988, poverty increased substantially for those with no college (significant at the .05 level; not shown). While fewer female single parents living alone

had not completed high school in 1988, their poverty rate—which was already very high in 1980—increased 9 percentage points by 1988 (not statistically significant). The poverty rate for those who completed high school, but no more, also increased sharply, an increase of 8.0 percentage points to 43.9 percent. In both years, educational attainment, presence of young children, and poverty rates were related for these single mothers. Those with young children were less likely than those without to have attended college (20 versus 28 percent in 1980 and 24 versus 36 percent in 1988). More importantly, at each level of education, poverty rates for those with young children were considerably higher than for those without.

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**Table 3.9: Poverty Rates by Educational Attainment of Female-Headed Single-Parent Families Living Alone, 1980 and 1988<sup>a</sup>**

Education of family head	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>All</b>						
Did not complete high school	995 (49%)	1,538 (31%)	64.7%	990 (41%)	1,343 (25%)	73.7%
Completed high school	788 (38%)	2,194 (44%)	35.9	1,063 (44%)	2,420 (44%)	43.9***
Some college (including graduates)	265 (13%)	1,257 (25%)	21.0	341 (14%)	1,676 (31%)	20.3
<b>Total</b>	<b>2,048 (100%)</b>	<b>4,988 (100%)</b>	<b>41.1</b>	<b>2,394 (100%)</b>	<b>5,439 (100%)</b>	<b>44.0</b>
<b>With young children</b>						
Did not complete high school	562 (48%)	664 (36%)	84.6	569 (41%)	654 (29%)	87.0
Completed high school	462 (40%)	825 (44%)	56.0	656 (47%)	1,051 (47%)	62.4
Some college (including graduates)	134 (12%)	372 (20%)	36.0	176 (13%)	525 (24%)	33.5
<b>Total</b>	<b>1,159 (100%)</b>	<b>1,862 (100%)</b>	<b>62.2</b>	<b>1,400 (100%)</b>	<b>2,230 (100%)</b>	<b>62.8</b>
<b>Without young children</b>						
Did not complete high school	433 (49%)	874 (28%)	49.5	421 (42%)	689 (21%)	61.1
Completed high school	326 (37%)	1,369 (44%)	23.8	407 (41%)	1,369 (43%)	29.7*
Some college (including graduates)	131 (15%)	885 (28%)	14.8	165 (17%)	1,152 (36%)	14.3
<b>Total</b>	<b>888 (100%)</b>	<b>3,126 (100%)</b>	<b>28.4</b>	<b>994 (100%)</b>	<b>3,209 (100%)</b>	<b>31.0</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

The poverty rates for those with a high school education or less may have risen because as women's educational attainment generally increases, those women with very low levels of education are at an even greater disadvantage in competing for either jobs or wages. Additionally, in an

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increasingly complex workplace, there may be greater demand for high-skill than low-skill workers.

Had poverty rates for each level of education not changed over time, the increased educational attainment in 1988 would have predicted a decrease in the overall poverty rate, as well as in the poverty rates for those with and without young children. For the entire group, the gains in education would have resulted in a decline in the poverty rate to 38.2 from 41.1 percent, instead of an increase to 44.0 percent.

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### Changes in Single Mothers' Employment Levels

These findings provide only limited information, however, about the reasons for the poverty increase among single mothers living alone. The presence of young children can be a barrier to a mother's employment if she is unwilling or unable to leave her child with another person while she works. Indeed, lower work levels explain much of the higher poverty rate of single mothers with young children compared with the rate of those with older children. (See table 3.10.) Across the years, only 26 to 31 percent of single mothers of young children worked full-time year-round, whereas 50 to 55 percent of mothers with older children did. However, even when they were working full-time, mothers of young children had poverty rates that were significantly higher in 1988 than in 1980.<sup>6</sup> The poverty rates for all other groups also appeared to increase slightly, although these increases were not statistically significant.

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<sup>6</sup>In a previous analysis of the National Longitudinal Survey of the Labor Market Experience of Youth (GAO, 1991), we found that in 1986 many single mothers would remain near or below the poverty line even if they worked year-round at full-time jobs, because of their low wages.

Table 3.10: Poverty Rates by Employment Status of Female-Headed Single-Parent Families Living Alone, 1980 and 1988\*

Employment status of family head	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>With young children</b>						
Full-year/ full-time	47 (4%)	481 (26%)	9.8%	116 (8%)	694 (31%)	16.7%**
Full-year/ part-time	45 (4%)	88 (5%)	51.1	65 (5%)	110 (5%)	59.1
Part-year/ full-time	203 (18%)	355 (19%)	57.2	220 (16%)	349 (16%)	63.0
Part-year/ part-time	165 (14%)	202 (11%)	81.7	207 (15%)	247 (11%)	83.8
Nonworker	699 (60%)	736 (40%)	95.0	792 (57%)	831 (37%)	95.3
<b>Total</b>	<b>1,159 (100%)</b>	<b>1,862 (100%)</b>	<b>62.2</b>	<b>1,400 (100%)</b>	<b>2,230 (100%)</b>	<b>62.8</b>
<b>Without young children</b>						
Full-year/ full-time	97 (11%)	1,565 (50%)	6.2	141 (14%)	1,771 (55%)	8.0
Full-year/ part-time	48 (5%)	173 (6%)	27.7	63 (6%)	195 (6%)	32.3
Part-year/ full-time	204 (23%)	551 (18%)	37.0	193 (19%)	448 (14%)	43.1
Part-year/ part-time	111 (13%)	233 (7%)	47.6	158 (16%)	262 (8%)	60.3
Nonworker	428 (48%)	603 (19%)	71.0	439 (44%)	529 (16%)	83.0
<b>Total</b>	<b>888 (100%)</b>	<b>3,126 (100%)</b>	<b>28.4</b>	<b>994 (100%)</b>	<b>3,216 (100%)</b>	<b>31.0</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding and "not applicable" cases included in the totals.

Thus, the increase in poverty rates over time is not the result of lower work levels. In fact, single mothers living alone (with and without young children) increased their likelihood of working full-time year-round between 1980 and 1988. Further, in 1988, fewer of each group were

“nonworkers” throughout the year (although the decrease for mothers with young children was not statistically significant).

The increase in work level would have resulted in a lower poverty rate in 1988 except for the increase in poverty rates within categories of employment status. Based on the changes in the distribution of work levels, and assuming the same poverty rates for each year, the overall poverty rate would have declined to 38.8 from 41.0 percent, rather than increasing to 44.0 percent.

Table 3.11 shows the changes in the sources of aggregate annual income received by female-headed single-parent families living alone between 1980 and 1988 (that is, averaged across both recipients and nonrecipients). There was no change in average total income, adjusted for inflation, for members of this group between the two years. However, there were significant changes in the makeup of this income. Between 1980 and 1988, average real earnings for this group increased by \$850; this increase was offset primarily by decreases in various government transfer payments—primarily in means-tested assistance, but also in Social Security and social insurance (unemployment compensation and workers’ compensation). There was no significant change in alimony and child support or other private income between the two years; these two last-named components comprised about 13 to 14 percent of the income for this population in both years.



**Table 3.11: Sources of Income for  
Female-Headed Single-Parent Families  
Living Alone, 1980 and 1988<sup>a</sup>**

Income source	1980 <sup>b</sup>		1988 <sup>c</sup>	
	Amount received <sup>d</sup>	Percent of total	Amount received	Percent of total
<b>Earned income</b>	\$9,481	64.2	\$10,328***	69.6
<b>Other income</b>	5,291	35.8	4,517***	30.4
Means-tested assistance	1,375	9.3	1,147***	7.7
Social Security	572	3.9	334***	2.2
Social insurance	239	1.6	123***	0.8
Alimony and child support	1,071	7.3	1,031	6.9
Other private income	757	5.1	670	4.5
In-kind benefits	1,276	8.6	1,213	8.2
<b>Total income</b>	<b>\$14,771</b>	<b>100.0</b>	<b>\$14,845</b>	<b>100.0</b>

Change in amount received

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Dollar amounts and percentages may not add to totals shown due to rounding.

<sup>b</sup>N = 4,988,000.

<sup>c</sup>N = 5,439,000.

<sup>d</sup>Amounts received (in 1988 dollars) are averaged across recipients and nonrecipients.

Female-headed single-parent families with children under 6 living alone experienced similar income changes to those of the total group. (See table 3.12 for their sources of aggregate income.) However, there were some important differences. The total income of families with children under 6 averaged over 30 percent less than that for families without young children.<sup>6</sup> Average total income for the families with children under 6 also did not change, while their average earned income increased by over \$600. However, for this group, the decrease in transfer payments was even greater (about \$700). This decline was partially offset by an increase in other private income. Again, there was no significant change in income from alimony/child support.

<sup>6</sup>The total income for those families without young children was \$16,605 in 1980 and \$17,035 in 1988.

**Table 3.12: Sources of Income for Female-Headed Single-Parent Families With Children Under 6 Living Alone, 1980 and 1988<sup>a</sup>**

Type of payment	1980 <sup>b</sup>		1988 <sup>c</sup>	
	Amount received <sup>d</sup>	Percent of total	Amount received	Percent of total
<b>Earned income</b>	\$6,203	53.1	\$6,835*	58.5
<b>Other income</b>	5,490	47.0	4,857***	41.5
Means-tested assistance	2,325	19.9	1,828***	15.6
Social Security	270	2.3	195	1.7
Social insurance	169	1.4	79***	0.7
Alimony/child support	642	5.5	548	4.7
Other private income	241	2.1	472***	4.0
In-kind benefits	1,843	15.8	1,736	14.9
<b>Total income</b>	<b>\$11,693</b>	<b>100.0</b>	<b>\$11,692</b>	<b>100.0</b>

Change in amount received

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Dollar amounts and percentages may not add to totals shown due to rounding.

<sup>b</sup>N = 1,862,000.

<sup>c</sup>N = 2,230,000.

<sup>d</sup>Amounts received (in 1988 dollars) are averaged across recipients and nonrecipients.

The transfer payment received most frequently by female-headed single-parent families was public assistance or welfare. For the total group, there was no significant change between 1980 and 1988 in the percent receiving such payments (31 percent).<sup>7</sup> For those receiving public assistance, the average benefit amount declined in this same time period by about \$800 (from \$4,400 to \$3,600). A larger percentage of those with children under 6 received public assistance, although the proportion of those receiving this benefit decreased from 52 to 49 percent, as did their average benefit amount, from \$4,500 to \$3,700.

In summary, we have found that the primary reason for the apparent poverty rate increase among women heading single-parent families living alone is the decrease in transfer payments, particularly reductions in means-tested assistance and social insurance. The poverty rate increase occurred despite the fact that these women were working more and earning more. Consistent with the general poverty literature, we found

<sup>7</sup>Since approximately 41 to 44 percent of this group were in poverty and only 31 percent were receiving public assistance and welfare, we concluded that at least 25 percent of those in poverty were not receiving public assistance.

that youth, low educational attainment, never having been married, presence of young children, and nonworking status are related to the higher poverty rate of single parents. However, within-group poverty rate increases between 1980 and 1988 were not related to these variables. Instead, when controlling for the effect of young children, the other variables—changes in age, educational attainment, and employment status—would have predicted a decrease rather than an increase in poverty rates between 1980 and 1988.

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## Cohabiting Single-Parent Families

As indicated at the beginning of this chapter, an increase in single parents who cohabit with an individual or family head of the opposite sex accounted for a small but noticeable proportion of the increase in the number of single-parent families. The number of such families increased by 66 percent, from 660,000 to 1.1 million between 1980 and 1988 (compared with less than a 15-percent increase in the number of all families). If cohabiting single parents were removed from the single-parent group (and treated as married couples), the increase in the number of single-parent families between 1980 and 1988 would be 1.21 million (5.81 to 7.02 million), a still sizeable increase of 21 percent. Cohabiting single parents had a higher poverty rate than other single parents, overall and compared to single parents living alone or living with others (see table 3.1), although these differences were not statistically significant and had narrowed by 1988.<sup>8</sup>

Although male single parents were more likely than their female counterparts to cohabit, we focused our analyses on single mothers to simplify the analysis, as well as because they are both more numerous and more likely to be in poverty than single fathers. Since the CPS survey did not distinguish between roommates and partners, our designation of cohabitation is hypothetical, based on the presence of one pair of opposite-sex single family heads (or unrelated individuals) in a household, one or both of whom had children under 18. (Households containing more than two families were excluded from this particular analysis.)

Given our interest in single parents' poverty, we posed two questions concerning cohabitation:

- Does access to a partner's resources through cohabitation "free up" a single mother from the need to work to support herself and her children?

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<sup>8</sup>This poverty rate is the official one and thus does not consider the combined income of the two participants. This combination is considered in an upcoming section.

- Does combining the income of these families reduce their apparent poverty?

To answer these questions, we examined the situation of female-headed single-parent families living with an unrelated male or a male-headed family. We describe (1) the general demographic characteristics of the females and the males in such partnerships, including their poverty rates; (2) the income of each partner, considered individually with respect to poverty status; and (3) the effect on poverty status of combining the incomes of each family.

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## Demographic Characteristics

In 1980, 488,000 of the 5.76 million female-headed single-parent families (8.5 percent) were living with an unrelated male or a male-headed family. In 1988, the number had increased by 55 percent to 757,000, which was 10.9 percent of the total of 6.94 million female-headed single-parent families.

In 1980, over 95 percent of the women in these families were under age 45, with almost 75 percent under 35. Their male partners were slightly older, with only about 86 percent under 45 and slightly over 60 percent under age 35. Between 1980 and 1988, these age distributions did not change very much, despite the large increases that took place in both groups.

The biggest difference between the women and their male partners was in their poverty rates. Overall, the poverty rate for women heading single-parent families living with unrelated men was about 50 percent (higher than for single mothers generally), whereas for the men with whom they were living, the rate was about 25 percent.

Most male partners (59 percent in 1988 and 52 percent in 1980) worked full-time for the entire year, while another 24 percent in 1988 and 32 percent in 1980 worked full-time for part of the year. Only about 9 percent in each year were nonworkers. Among the women, a considerable proportion worked full-time for the entire year (41 percent in 1988 and 35 percent in 1980). A smaller number worked full-time for part of the year (17 percent in 1988 and 24 percent in 1980). However, 25 percent of the women were nonworkers in 1988 and 23 percent in 1980. The rates of both full-time year-round workers and nonworkers were slightly lower than those for single mothers living alone (see table 3.10), but significantly lower only for full-time year-round workers in 1980. Thus, it is unlikely that cohabitation was an alternative to employment as a source of income.

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If it had been, these women would be expected to show dramatically lower levels of work than single mothers living alone.

Those in poverty, as one might expect, had much lower levels of employment. Among the men, only about 10 percent worked full-time for the full year, and another 39 percent worked full-time for part of the year. Slightly over 30 percent were nonworkers. Among the women, less than 10 percent worked full-time for the entire year, and about 22 percent worked full-time for part of the year. About 45 percent of those in poverty were nonworkers.

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### Individual and Combined Income

The perception may exist that cohabiting pairs consist of a working male with high income and a nonworking mother who is receiving large amounts of public assistance. In this section, we examine the income sources of each partner and the effect of combining their incomes. In the process, we show that the hypothesized disparity in incomes does not exist and that the poverty rate of this group increased between 1980 and 1988.

Table 3.13 shows the sources of income for women heading single-parent families and living with unrelated males. Their average adjusted total annual income was 18 to 24 percent less than that of single mothers living alone (see table 3.11) and had decreased \$900 between 1980 and 1988, a decline of 8 percent in real income. During this period, their average real earned income remained approximately constant; their other income accounted for the decline. The bulk of the decrease occurred in the amount they received from public assistance and welfare. The amount they received on average in alimony and child support declined by nearly 23 percent (\$150). In comparison with the income sources of single mothers living alone, earnings made up slightly more, while child support and alimony made up slightly less, of their income, on average.

**Table 3.13: Sources of Income for Women Heading Single-Parent Families Living With Unrelated Males, 1980 and 1988<sup>a</sup>**

Type of payment	1980 <sup>b</sup>		1988 <sup>c</sup>	
	Amount received	Percent of total	Amount received	Percent of total
<b>Earned income</b>	\$8,835	72.6	\$8,711	77.7
<b>Other income</b>	3,334	27.4	2,502***	22.3
Means-tested assistance	1,298	10.7	766***	6.8
Social Security	284	2.3	241	2.1
Social insurance	166	1.4	69**	0.6
Alimony/child support	692	5.7	533	4.8
Other private income	323	2.7	380	3.4
In-kind benefits	571	4.7	512	4.6
<b>Total income</b>	<b>\$12,169</b>	<b>100.0</b>	<b>\$11,213</b>	<b>100.0</b>

Change in amount received

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Dollar amounts and percentages may not add to totals shown due to rounding.

<sup>b</sup>N = 488,000.

<sup>c</sup>N = 757,000.

Table 3.14 shows the amount of income received by unrelated males living with female-headed single-parent families. Their income was about 45 percent higher than that of their female partners, and a greater proportion was earnings (about 95 percent, compared with about 75 percent for the women). These men had very little income from government transfer programs (mainly from unemployment or workers' compensation). The change from 1980 to 1988 was localized primarily in a decrease in real earnings.

**Table 3.14: Sources of Income for Unrelated Males Living With Female-Headed Single-Parent Families, 1980 and 1988<sup>a</sup>**

Type of payment	1980 <sup>b</sup>		1988 <sup>c</sup>	
	Amount received	Percent of total	Amount received	Percent of total
<b>Earned income</b>	\$16,308	93.0	\$15,493	95.1
<b>Other income</b>	1,228	7.0	794***	4.9
Means-tested assistance	33	0.2	65	0.4
Social Security	79	0.5	78	0.5
Social insurance	486	2.8	249***	1.5
Alimony/child support	26	0.1	2	0.0
Other private income	506	2.9	278**	1.7
In-kind benefits	97	0.6	123	0.8
<b>Total income</b>	<b>\$17,535</b>	<b>100.0</b>	<b>\$16,287</b>	<b>100.0</b>

Change in amount received

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Dollar amounts and percentages may not add to totals shown due to rounding.

<sup>b</sup>N = 553,000.

<sup>c</sup>N = 894,000.

As indicated in table 3.15, combining the incomes of both family units as if they were a married couple results in a substantial reduction of the poverty rates. In 1980, of those households in which only one family was identified as being in poverty before combining incomes, only 2 percent were in poverty when the incomes were combined. The situation is dramatically different when both family units were in poverty, with 44 percent still in poverty even when both incomes were considered. In 1988, the situation changed significantly. Although the distribution of poor families across cohabiting households was quite similar, combining incomes was much less effective in removing people from poverty. Specifically, when both family units were in poverty, combining incomes moved only 8 percent of the households over the poverty threshold. In the households with one family unit in poverty before combining incomes, 10 percent of the households were still in poverty when incomes were combined. Thus, in 1988, cohabiting poor families were much less able to escape poverty through combining resources than they were in 1980.

**Table 3.15: Poverty Rates of Single Mothers After Combining Income With Male Partners, Based on Initial Poverty Status, 1980 and 1988<sup>a</sup>**

Status before combining income	Status after combining income					
	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
Neither family unit in poverty	0 (0%)	193 (39%)	0.0%	0	314 (41%)	0.0%
Only one family unit in poverty	4 (11%)	233 (47%)	1.7	34 (23%)	329 (43%)	10.3***
Both family units in poverty	29 (89%)	65 (13%)	44.5	109 (76%)	119 (16%)	91.6**
<b>Total</b>	<b>32 (100%)</b>	<b>491 (100%)</b>	<b>6.6%</b>	<b>144 (100%)</b>	<b>761 (100%)</b>	<b>18.9%***</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

In summary, access to the partner's resources through cohabitation does not appear to substantially affect the single mother's employment level. The proportion of full-time year-round workers among cohabiting single mothers was only slightly lower than for single mothers living alone. Moreover, while the percent of cohabiting single mothers working full-time year-round increased over time, their average amount of public assistance benefits decreased.

Combining the income of both partners did reduce their poverty rate in 1988, but less so than in 1980. However, since so few single-parent families were cohabiting, reclassifying these households as married-couple families had no effect on the married-couple poverty rate, and it reduced the poverty rate of single parents by only a single percentage point in each year, with no effect on the change between years.

## Summary

Single-parent families in both years (1980 and 1988) were predominantly headed by women maintaining households on their own. The large increase in the number of single-parent families was partially the result of rapid growth in what had been small components of this population: male-headed families and single parents living with unrelated adults, either as partners or roommates. However, much of the increase was due to the



growth in the number of female-headed families living alone, which reflected an increase in the number of never-married mothers. Thus, births to unmarried women were a stronger influence than divorce rates on this population increase.

The increase in the number of never-married women among single parents living alone primarily consisted of increases in the number of (1) women between the ages of 25 and 44, (2) those with high-school educations (not dropouts), and (3) those working full-time for the full year. Additionally, there was no increase in the proportion of those who had borne their children as teenagers. Thus, the increase in never-married mothers did not result from an increase in teenage high school dropouts giving birth outside of marriage.

While the poverty rate for all single parents was unchanged in 1988, the increasing number of male family heads (with their much lower poverty rate) masked a statistically insignificant poverty rate increase for female family heads (from 42 to 44 percent). The high poverty rate of single mothers living alone—and thus not potentially sharing resources with other household members—was partly attributable to the large (and increased) proportion of single mothers with children under six. Single mothers with young children had substantially lower employment rates; 37 to 40 percent were nonworkers across both years, compared with 16 to 19 percent of those without young children. The greater poverty of never-married mothers (regardless of the age of their children) may be more appropriately attributed to their greater youth (30 to 37 percent were under age 25, compared with 12 percent of all single mothers living alone) and lower educational attainment, rather than to their marital status.

Although the overall increased poverty rate for single mothers was not statistically significant, poverty rates increased significantly for those with no college (from 48 to 55 percent), as well as for the increased number of mothers with young children who worked full-time year-round (from 10 to 17 percent). Although the average total income of single mothers living alone was unchanged in real terms, their increase in average earnings was offset by a decline in average public assistance benefits.

The number of single mothers presumed to be cohabiting had increased to 11 percent of the single-mother population by 1988. An increasing proportion of these women worked full-time year-round (from 35 to 41 percent). While this represents a slightly lower rate of full employment than for single mothers living alone, cohabitation did not seem to be an

alternative to employment for these women. Their male partners' income averaged about 45 percent higher than their own and was almost entirely made up of earnings (about 95 percent). Although these men were also more likely to work full-time year-round in 1988 (59 percent) than in 1980 (52 percent), their average real income also declined, due primarily to a decrease in real earnings.

When the incomes of the two parties were combined—and the parties were treated as if they were a married couple—fewer families were moved out of poverty in 1988 than in 1980. In 1980, 6 percent were still in poverty after combining incomes; in 1988, 19 percent were. However, given the small proportion of single-parent families who appeared to be cohabiting, combining their incomes had little overall effect on the poverty rate for single-parent families.

# The Poverty of Young Family Heads

In the 1980s, children under age 18 became the age group at greatest risk of poverty; for children under 6, the poverty rate ranged between 20 and 25 percent. The poverty of these children, of course, derives from that of their parents. As we saw in chapter 3, the presence in the family of a child under 6 was related to much higher poverty rates for single mothers, regardless of their age, but particularly for those under age 25. Other published studies have found that families with heads under the age of 25 experienced a decline in median income between 1979 and 1986, while families with older heads did not (CBO, 1988). Since young children can be expected to have young parents, we selected young family heads—those between the ages of 15 and 24—for detailed examination, even though they were not identified as a disadvantaged group in our typology. As will be seen, not only was this group more vulnerable to poverty than older family heads, but their vulnerability to poverty also increased substantially between 1980 and 1988.

In this chapter, we first characterize the population aged 15 to 24 and identify how many had formed their own families, both with and without children. We then focus on young family heads with children and address the following questions:

- What changes occurred in family formation and composition within this age group?
- Why were young families with children more likely than other families to be poor?
- Why were they more likely to be poor in 1988 than in 1980?
- To what extent do reductions in public transfers explain the increased poverty of young families with children?

## Family Formation Among the Young

Between 1980 and 1988, the number of persons between the ages of 15 and 24 decreased from 41.2 to 35.9 million, while the poverty rate for persons in this age group increased from 14 to 16 percent. Most persons in this age group lived with their parents or other relatives and thus did not head families themselves. Those that did head families or live alone, however, were the most likely to be in poverty. Table 4.1 categorizes all 15- to 24-year-olds in the years 1980 and 1988 according to whether they headed a family, lived alone, or lived in a family headed by someone else, as well as identifies the number in poverty and the poverty rate for each group.

**Table 4.1: Total Number, Number in Poverty, and Poverty Rates of 15- to 24-Year-Olds, by Family Relationship, 1980 and 1988\***

Family relationship	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
Heads	892 (15.9%)	3,878 (9.4%)	23.0%	996 (17.7%)	3,130 (8.7%)	31.8%***
Spouses	438 (7.8%)	4,669 (11.3%)	9.4	371 (6.6%)	3,038 (8.5%)	12.2*
Unrelated individuals	1,275 (22.7%)	4,687 (11.4%)	27.2	1,501 (26.7%)	4,685 (13.0%)	32.0*
Youths	2,625 (46.8%)	25,993 (63.1%)	10.1	2,398 (42.7%)	22,920 (63.8%)	10.5
Others	376 (6.7%)	1,956 (4.8%)	19.2	352 (6.3%)	2,124 (5.9%)	16.6
<b>Total</b>	<b>5,606 (100.0%)</b>	<b>41,183 (100.0%)</b>	<b>13.6%</b>	<b>5,618 (100.0%)</b>	<b>35,896 (100.0%)</b>	<b>15.7%***</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

In 1988, a slightly larger proportion of persons aged 15 to 24 lived with relatives (see "youths" and "others" in table 4.1), and fewer were heading families either alone or as part of a married couple. Since most 15- to 24-year-olds were living with relatives, about half of those in poverty were poor due primarily to their family's, rather than their own, financial situation. The poverty rate for these youths remained stable at slightly over 10 percent, but for those living alone, or as a family head or spouse, the poverty rates increased substantially. Overall, 84 percent of the change in the poverty rate for 15- to 24-year-olds was accounted for by the increased poverty rates of young family heads and spouses.

The majority (59 to 61 percent across years) of all family heads between the ages of 15 and 24—and especially those in poverty (88 percent in 1980 and 92 percent in 1988)—had children. Young family heads with children largely accounted for the high poverty rate of young family heads in general. Not only did they comprise a majority of young family heads, but their poverty rate in both years was also much larger than the quite low rate for young families without children. (See table 4.2.) The remainder of

this chapter will therefore focus primarily on young family heads with related children.

**Table 4.2: Poverty Rates of Young Family Heads, by Presence of Children, 1980 and 1988**

Poverty rate	1980	1988
With children	34.5	47.8***
Without children	6.7	7.2
Overall	23.0	31.8***

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

## Young Versus Older Family Heads

The proportion of families with children headed by young persons declined between 1980 and 1988 from 7 to 6 percent. This decline was due partly to the decrease in the size of the youth population and partly to the decline in family formation among this age group, as indicated in table 4.1. In 1980, compared with all family heads, young persons heading families with children were less likely to be white (79 versus 85 percent), married (64 versus 80 percent), or a high school graduate (65 versus 77 percent). By 1988, their differences from the general population of family heads had become more exaggerated, except in the case of educational level—which had widened but not to a statistically significant extent. (See table 4.3.)

**Table 4.3: All Family Heads With Children and Young Family Heads With Children, by Family Type, Race, and Education, 1980 and 1988<sup>a</sup>**

Characteristic	1980 <sup>b</sup>		1988 <sup>b</sup>	
	Number	Percent of total	Number	Percent of total
<b>Family type</b>				
<b>All family heads with children</b>				
Married couples 24,	883 79	.0 23,	970 75	.1
Male heads	682	2.2	1,068	3.4
Female heads	5,927	18.8	6,866	21.5
<b>Total</b>	<b>31,491</b>	<b>100.0</b>	<b>31,905</b>	<b>100.0</b>
<b>Young family heads with children</b>				
Married couples	1,466	64.5	922	48.6
Male heads	42	1.9	103	5.4
Female heads	765	33.7	871	45.9
<b>Total</b>	<b>2,273</b>	<b>100.0</b>	<b>1,896</b>	<b>100.0</b>
<b>Race</b>				
<b>All family heads with children</b>				
White	26,747	84.9	26,389	82.7
Black	3,901	12.4	4,323	13.6
Other	843	2.7	1,192	3.7
<b>Total</b>	<b>31,491</b>	<b>100.0</b>	<b>31,905</b>	<b>100.0</b>
<b>Young family heads with children</b>				
White	1,796	79.0	1,370	72.3
Black	443	19.5	471	24.8
Other	34	1.5	55	2.9
<b>Total</b>	<b>2,273</b>	<b>100.0</b>	<b>1,896</b>	<b>100.0</b>

(continued)

Characteristic	1980 <sup>b</sup>		1988 <sup>b</sup>	
	Number	Percent of total	Number	Percent of total
<b>Education</b>				
<b>All family heads with children</b>				
Did not complete high school	7,425	23.6	5,662	17.8
Completed high school	12,584	40.0	12,655	39.7
Some college (including graduates)	11,483	36.5	13,588	42.6
<b>Total</b>	<b>31,491</b>	<b>100.0</b>	<b>31,905</b>	<b>100.0</b>
<b>Young family heads with children</b>				
Did not complete high school	799	35.2	614	32.4
Completed high school	1,188	52.3	1,015	53.5
Some college (including graduates)	286	12.6	268	14.1
<b>Total</b>	<b>2,273</b>	<b>100.0</b>	<b>1,896</b>	<b>100.0</b>

<sup>a</sup>The number of families in this table includes those with elderly and disabled family heads, and as a result, totals are higher than those shown in table 2.1.

<sup>b</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

## Changes in Family Type

Very large changes occurred in the composition of young families with children—changes that mirror, in exaggerated form, the changes that occurred in the general population. While the proportion of all families with children headed by married couples declined from 79 to 75 percent, table 4.3 shows that young families with children were increasingly much less likely to be headed by married couples. While a majority (64 percent) of young family heads with children were married in 1980, just less than half (49 percent) were in 1988. In fact, by 1988, single women headed 46 percent of all young families with children and 75 percent of those in poverty. Moreover, while most single parents in the general population were separated or divorced (although their proportion decreased from 82 to 72 percent between 1980 and 1988), most young single parents had never been married (a majority that increased from 56 to 71 percent in the same time period). Although poverty rates differed by 20 to 25 points (across years) among single parents of all ages according to whether they

had ever been married, no such difference was observed among young single parents. Both categories had very high poverty rates (between 64 and 76 percent across years, figures not shown).

As we saw in chapters 2 and 3, while poverty rates remained stable for all married-couple and single-parent families, poverty rate increases for female-headed families were masked by the decreases experienced by single-male family heads. This was also true for young single family heads with children, although the changes were not statistically significant. In contrast with older family heads, however, the poverty rate of young married family heads increased from 15 to 21 percent. (See table 4.4.)



**Chapter 4**  
**The Poverty of Young Family Heads**

**Table 4.4: Total Number, Number in Poverty, and Poverty Rates of Young Family Heads, by Family Type, Race, and Education, 1980 and 1988<sup>a</sup>**

Characteristic	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>Family type</b>						
Married couple	215 (27%)	1,466 (64%)	14.7%	197 (22%)	922 (49%)	21.4%***
Male head	16 (2%)	42 (2%)	38.1	31 (3%)	103 (5%)	30.1
Female head	553 (71%)	765 (34%)	72.3	679 (75%)	871 (46%)	78.0
<b>Race</b>						
White	510 (65%)	1,796 (79%)	28.4	545 (60%)	1,370 (72%)	39.8***
Black	255 (33%)	443 (20%)	57.6	344 (38%)	471 (25%)	73.0
Other	19 (2%)	34 (2%)	55.9	18 (2%)	55 (3%)	32.7
<b>Education</b>						
Did not complete high school	413 (53%)	799 (35%)	51.7	419 (46%)	614 (32%)	68.2**
Completed high school	315 (40%)	1,188 (52%)	26.5	420 (46%)	1,015 (54%)	41.4***
Some college (including graduates)	56 (7%)	286 (13%)	19.6	68 (8%)	268 (14%)	25.4
<b>Total</b>	<b>784 (100%)</b>	<b>2,273 (100%)</b>	<b>34.5</b>	<b>907 (100%)</b>	<b>1,896 (100%)</b>	<b>47.8***</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

## Racial Mix of Young Family Heads With Children

There was little change in the racial distribution of the overall population of family heads with children between 1980 and 1988. (See table 4.3.) Whites represented 85 percent of all family heads with children in 1980 and 83 percent in 1988, while blacks comprised 12 percent in 1980 and 14 percent in 1988. Among young family heads with children, however, there were significant changes between 1980 and 1988, with whites decreasing from 79 to 72 percent and blacks increasing from 20 to 25 percent. Poverty

rates for both whites and blacks increased sharply between the two years, although the change for blacks was not statistically significant. (See table 4.4.) Despite the increase in the proportion of blacks (with their higher poverty rate), only 15 percent of the increase in the overall poverty rate for young family heads with children was attributable to this shift in the racial distribution between 1980 and 1988.

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### Educational Level of Young Family Heads

Within the population of all family heads with children, educational levels generally increased between 1980 and 1988. (See table 4.3.) Overall, family heads with less than a high school education declined from 24 to 18 percent, while those who had completed some college increased from 37 to 43 percent. Young family heads—that is, those who are 15 to 24 years old—would be expected to have much lower levels of education, in part because they have not finished their education and in part because many of those who form families at an early age choose not to attend college. However, this group did experience a small, nonsignificant increase in overall educational level between 1980 and 1988. (See table 4.3.)

As is generally found, the probability of being in poverty declined sharply with increasing educational attainment in both groups of families. Poverty rates, however, increased greatly between 1980 and 1988 for all family heads who had less than a high school education, while those who had completed high school (but did not attend college) had a modest increase in their poverty rate. The poverty rates for those who had attended college were unchanged between 1980 and 1988 (figures not shown). In an exaggeration of this trend, poverty rates increased dramatically for both groups of young family heads without any college. (See table 4.4.) Thus, the overall poverty rate increase for young family heads with children was not associated with any change in their educational attainment, and the poverty of those with less education increased faster than that of families at large.

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### The Increased Poverty of Young Family Heads

As previously seen, substantial changes occurred in family formation among young persons. In this section, we analyze the reasons for the increased poverty of young families by first separating out the effect of family formation changes and then examining various factors to explain the remaining change in poverty rates.

The substantial increase (13.3 percent) in young families' poverty over this period is due to both a shift toward single-parent families (who have very

high poverty rates) and an increase in poverty rates for both married-couple and single-parent young families. Controlling for the change in poverty rates within these groups, the estimated poverty rate for all young families would have increased by 8 percentage points due to this demographic change alone—or 59 percent of the actual increase observed.

To determine the reasons for the remainder of the observed overall poverty rate increase, we analyzed the work level and income sources of young married couples and single parents. Although we expect married family heads to be much more able to support themselves through work than single parents, they nevertheless experienced a significant poverty increase between 1980 and 1988; we therefore analyzed the work level and income sources of these groups separately. We show that while young family heads (and their spouses, for married couples) maintained or slightly increased their work effort and average earnings, they experienced significant reductions in government transfer income.

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## Work Level of Young Family Heads

To examine whether the increased poverty rate for young family heads was related to their working status, we addressed the following questions:

- Were heads of young married-couple or single-parent families less likely to work on a full-time or full-year basis in 1988 than in 1980?
- Were the spouses of young married family heads more or less likely to work?

Young heads of married-couple families had similar levels of work in 1980 and 1988: 55 to 57 percent worked full-time year-round, while only 5 to 9 percent did not work at all in each year. (See table 4.5.) (All heads of families with children were about 12 percent more likely to work full-time year-round; figures not shown). The small change in the distribution of the work level of young family heads accounts for only 18 percent of their increased poverty. Thus, a reduction in work level was not responsible for the higher poverty rate of married-couple young family heads in 1988. Instead, poverty rates increased for those at each level of work, as well as for nonworkers, although only the increase for full-time year-round workers is statistically significant.

**Chapter 4**  
**The Poverty of Young Family Heads**

**Table 4.5: Percent of Total, Number in Poverty, and Poverty Rates of Young Married-Couple and Single-Parent Family Heads With Children, by Work Level, 1980 and 1988\***

Work level	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>Married-couple heads</b>						
Full-year/ full-time	47 (22%)	810 (55%)	5.8%	53 (27%)	524 (57%)	10.1%*
Full-year/ part-time	7 (3%)	26 (2%)	26.9	14 (7%)	24 (3%)	58.3
Part-year/ full-time	76 (36%)	435 (30%)	17.5	57 (29%)	198 (22%)	28.8
Part-year/ part-time	24 (11%)	53 (4%)	45.3	17 (9%)	40 (4%)	42.5
Nonworker	37 (17%)	72 (5%)	51.4	43 (22%)	79 (9%)	54.4
<b>Total</b>	<b>215 (100%)</b>	<b>1,466 (100%)</b>	<b>14.7</b>	<b>197 (100%)</b>	<b>922 (100%)</b>	<b>21.4***</b>
<b>Single parents</b>						
Full-year/ full-time	15 (3%)	148 (18%)	10.1	28 (4%)	206 (21%)	13.6
Full-year/ part-time	20 (4%)	31 (4%)	64.5	28 (4%)	42 (4%)	66.7
Part-year/ full-time	107 (19%)	175 (22%)	61.1	151 (21%)	193 (20%)	78.2
Part-year/ part-time	105 (18%)	119 (15%)	88.2	122 (17%)	134 (14%)	91.0
Nonworker	322 (57%)	331 (41%)	97.3	381 (54%)	398 (41%)	95.7
<b>Total</b>	<b>569 (100%)</b>	<b>807 (100%)</b>	<b>71.0</b>	<b>710 (100%)</b>	<b>974 (100%)</b>	<b>72.9</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

Additionally, the work level of the spouses of young family heads increased between 1980 and 1988. In 1980, 63 percent of young-family-head spouses worked at least part-year/part-time. By 1988, this proportion had increased to 71 percent. Spouses working full-year/full-time experienced the largest proportional increase, rising

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from 16 percent of all spouses of young family heads with children in 1980 to 24 percent in 1988 (figures not shown).

Young single parents, as expected, were much more likely not to be working at all (41 percent in both years) and much less likely to be working full-time (18 and 21 percent in 1980 and 1988, respectively) than young married family heads. However, their work levels were slightly improved in 1988. In fact, if poverty rates for each work level had remained the same, their overall poverty rate would have declined from 71 to 69 percent rather than rising to 73 percent. Thus, the nonsignificant poverty rate increase for single parents is not due to a reduction in work level.

In summary, heads of young married-couple and single-parent families were no less likely to be working full-time year-round in 1988 than in 1980. In fact, their work level appeared to increase slightly, and for married couples, the work level of spouses increased significantly. Thus, decreased work level does not explain the increased poverty rate for these families.

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### **Income Sources of Young Family Heads**

Our analysis of change in sources of family income in table 4.6 confirms the results of our analysis of young family heads' work level. The slightly lower average income of young families in 1988 was not the result of reduced earnings but rather of a decline in transfer income that was not offset by increased income from other private sources.

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**Table 4.6: Mean Income Received by Young Married and Single Family Heads With Children, by Source, 1980 and 1988<sup>a</sup>**

Type of Income	Married couples				Single parents			
	1980		1988		1980		1988	
	Mean	Percent	Mean	Percent	Mean	Percent	Mean	Percent
<b>Earned Income</b>	\$20,683	92.0	\$20,389	93.0	\$4,967	51.7	\$5,303	58.2
<b>Other Income</b>	1,798	8.0	1,523	7.0	4,659	48.3	3,809***	41.8
Means-tested	305	1.4	259	1.2	2,527	26.3	1,652***	18.1
Social Security	73	0.3	43	0.2	162	2.0	79*	0.8
Social Insurance	807	3.6	331***	1.5	165	2.0	36***	0.4
Alimony/child support	49	0.2	44	0.2	202	2.1	145	1.6
Other private income	281	1.2	583***	2.7	172	1.8	439***	4.8
In-kind benefits	284	1.3	263	1.2	1,412	14.7	1,458	16.0
<b>Total</b>	<b>\$22,481</b>	<b>100.0</b>	<b>\$21,913</b>	<b>100.0</b>	<b>\$9,605</b>	<b>100.0</b>	<b>\$9,112</b>	<b>100.0</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>In 1988 dollars. Numbers and percentages may not add to totals shown due to rounding.

The average total income for both types of young families declined by over \$500 in real terms (that is, adjusted for inflation), although this change is not statistically significant. Young married couples, who obtained practically all of their income from earnings (92-93 percent), received, on average, almost \$500 less income from social insurance programs (such as unemployment compensation) in 1988. This decline was only partly offset by a \$300 average increase in income from private sources (such as, for example, payments from other family members not living in the household).

Young single parents relied less on earnings than married couples and more on means-tested transfers. While earning over \$300 more, on average (in 1988 dollars), and receiving \$267 more in other private income, they experienced a large reduction (\$875, on average) in means-tested cash benefits.

In summary, reduction in government transfer income (particularly social insurance income for married couples and means-tested income for single parents) rather than reduced work effort explained the increased poverty rates within types of young families.

## Effect of Public Transfers on the Poverty of Young Families With Children

To examine the effectiveness of various public transfers in removing young families with children from poverty, we addressed the following questions:

- How many young family heads with children participated in cash and near-cash transfer programs and remained in poverty?
- How many were poor when considering only their private income (that is, excluding any public transfer income)?
- How many were removed from poverty on the basis of the market value of public cash and near-cash transfers?

Table 4.7 shows the percentage of all young family heads with children and poor young family heads with children who received various types of cash and near-cash transfers in 1980 and 1988. The most striking finding illustrated in this table is the fact that about one fifth of poor young families with children received no assistance whatsoever in 1980, and by 1988 this proportion had increased to almost one quarter of poor young families.

**Table 4.7: Percent of Young Family Heads With Children Receiving Cash and Near-Cash Transfers, 1980 and 1988<sup>a</sup>**

Type of assistance	All young family heads with children		Poor young family heads with children	
	1980 (2,273 <sup>b</sup> )	1988 (1,896 <sup>b</sup> )	1980 (690 <sup>b</sup> )	1988 (826 <sup>b</sup> )
No assistance	42.5%	45.6%	20.6%	24.5%
Social insurance	21.3	9.9***	10.5	4.3***
Social Security	2.2	2.1	2.6	3.3
Means-tested cash transfers	27.7	31.1**	62.6	55.5**
Food and housing benefits	41.5	45.3**	73.4	70.1

Change in participation rate between 1980 and 1988

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>The poverty definition used in creating this table incorporated the market value of food and housing benefits into the total income of the family. Therefore, the number in poverty is smaller than under the official poverty definition, which includes only cash income from private sources and transfer programs.

<sup>b</sup>Population in thousands.

Although the proportion of all young families receiving means-tested cash or near-cash benefits increased, this appears to be primarily because more of these families were poor in 1988. The majority of poor young families

with children who did participate in government transfer programs received some sort of food or housing subsidy. In 1980, 73 percent of this group received some form of these near-cash transfers, and although this proportion dropped to about 70 percent in 1988, the change was not statistically significant. Meanwhile, the proportion of poor young families with children who received means-tested benefits decreased significantly from 63 to 55 percent. In addition, significantly fewer poor young family heads received social insurance transfers.

Tables 4.8 and 4.9 show the effectiveness of cash and near-cash transfer programs, as well as federal income and payroll taxes, in removing young married-couple and single-parent families with children from poverty. Each table is broken into two sections showing

- the poverty rate of young families with children after inclusion of each additional benefit or tax, and
- the percent of poor families whose income was raised above the poverty level by the successive inclusion of cash and near-cash transfers and federal tax payments.<sup>1</sup>

**Table 4.8: Antipoverty Effectiveness of Cash and Near-Cash Transfers, Including Federal Income and Payroll Taxes, for Young Married Couples With Children, 1980 and 1988**

Transfer effect	1980	1988
<b>Poverty rate</b>		
Cash income before transfers	19.0%	23.3%
Plus social insurance	16.0	21.8*
Plus Social Security	15.9	21.8*
Plus means-tested cash transfers	14.6	21.3**
Plus food and housing	12.9	20.0**
Less federal taxes	13.2	19.0**
<b>Percent of families removed from poverty on addition of</b>		
Social insurance (including Social Security)	16.8	6.5
Means-tested cash plus food and housing benefits	15.4	7.9
Federal taxes	-0.7	4.2
<b>Total</b>	<b>31.5</b>	<b>18.6</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>1</sup>The official poverty definition, of course, includes all cash income from private sources, social insurance programs (veterans' benefits, unemployment benefits, and workers' compensation), Social Security, and means-tested programs.



**Table 4.9: Antipoverty Effectiveness of Cash and Near-Cash Transfers, Including Federal Income and Payroll Taxes, for Young Single Parents, 1980 and 1988**

<b>Transfer effect</b>	<b>1980</b>	<b>1988</b>
<b>Poverty rate</b>		
Cash income before transfers	74.6%	75.0%
Plus social insurance	74.0	75.0
Plus Social Security	73.8	74.9
Plus means-tested cash transfers	70.6	72.9
Plus food and housing	62.1	66.1
Less federal taxes	62.1	65.1
<b>Percent of families removed from poverty on addition of</b>		
Social insurance (including Social Security)	1.2	0.3
Means-tested cash plus food and housing benefits	15.6	11.9
Federal taxes	0.0	1.1
<b>Total</b>	<b>16.8</b>	<b>13.3</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

The results found in tables 4.8 and 4.9 reflect the same phenomenon described in table 4.6, which highlighted a decrease in the real mean value of cash and near-cash transfer income between 1980 and 1988. Both measures show that the effectiveness of cash and near-cash transfer payments in removing young family heads with children from poverty was significantly reduced between 1980 and 1988. In 1980, only 19 percent of young married couples were in poverty based on pre-transfer private income, but benefits from various public programs removed 32 percent of these families from poverty. In 1988, only 19 percent of families in poverty were raised above the poverty threshold by receipt of all combined assistance. The difference between the years lies in the substantially reduced (by two thirds) power of social insurance programs and means-tested cash assistance.

When federal taxes were considered, however, the number of young families in poverty actually increased by 1 percent in 1980. Changes in federal taxes in the mid-1980s reduced the burden on these young families to such an extent that another 4 percent were removed from poverty in 1988. The earned income tax credit eliminated the tax burden for some employed young family heads in poverty, and it actually raised some of them above the poverty threshold. However, this did not compensate for

the reduced power of the other forms of assistance to remove families from poverty.

Numerically, more young single-parent than young married-couple families were removed from poverty through public transfers in both years, primarily because the former were more numerous to begin with. However, proportionally fewer poor single parents were removed from poverty by public transfers in both years because—in contrast to the case for married couples—social insurance programs had practically no effect on them in both years. Conversely, means-tested benefits were as effective for them in 1980 as for married couples, raising 16 percent of poor single-parent families above the poverty threshold. In 1988, these benefits were somewhat more effective for poor single parents than for poor married couples.

Food and housing benefits were substantially more effective than other cash benefits for poor young single parents in both years. Since so many more single parents than married couples were poor on the basis of cash income alone (75 percent in both years), all of these transfers combined significantly reduced the number of families in poverty (to 62 percent in 1980 and 65 percent in 1988). The minimal effect of federal taxes on single parents in both years was expected because only 59 percent were working in each year.

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## Summary

There were not as many persons between the ages of 15 and 24 in 1988 as there were in 1980, nor were they as likely to form families. Consequently, there were 19 percent (almost 700,000) fewer young family heads in 1988 than in 1980. However, the poverty rate for young families with children increased by 13.3 percentage points between 1980 and 1988. Fifty-nine percent of this increase in poverty was due to shifts in family composition. A smaller proportion (49 percent in 1988, down from 64 percent in 1980) of young family heads were part of a married couple—a subgroup traditionally at “low risk” of poverty. In addition, single females—a traditionally “high-risk” subgroup—constituted a greater proportion (46 percent in 1988, up from 34 percent in 1980) of the young family heads, thereby driving up the poverty rate. In addition, however, young married couples experienced higher poverty rates in 1988.

Compared with older family heads, young family heads were more likely to be unmarried, black, and less educated. Between 1980 and 1988, these differences became more pronounced. However, for each of these

characteristics, we found that changes in the distributions for the young family heads would have led to a lower overall poverty rate if subgroup poverty rates had been maintained. Hence, we were able to exclude these factors as contributors to the increased poverty rate of all young family heads.

Neither young married couples nor young single parents showed a decreased level of work effort. In fact, for young married couples as a whole and for those working full-time year-round, the poverty rate nevertheless increased significantly. Similarly, neither type of young family showed a significant change in earnings. Hence, we were able to exclude work effort as a contributor to their increased poverty.

While neither young family type had a significant change in average total income, they both experienced declines in the real mean value of income from government cash and near-cash transfers. Moreover, both cash and near-cash transfer programs were less effective in removing young families with children from poverty in 1988 than they were in 1980. For young married-couple families, this was primarily due to a reduction in social insurance benefits; for single parents, the cause was a decline in means-tested benefits. In sum, the proportion of family income received from these programs declined, a smaller proportion of poor families received means-tested benefits, and fewer were removed from poverty by their receipt.

# Poverty Status of Disabled Family Heads

One group of families expected to be at high risk of poverty is that headed by nonelderly persons with a work disability—that is, those whose work is limited or precluded by a disability. Indeed, we found in chapter 2 that although nonelderly disabled family heads and individuals made up only 4 percent of all families, they comprised 14 percent of poor families and individuals. (See table 2.1.) This is so because their poverty rate was quite high—over 40 percent in both 1980 and 1988.

In this chapter, we examine the poverty, income, and related demographic characteristics of families headed by nonelderly persons with a disability to identify which factors are associated with their high poverty rates. We compare this group with nonelderly nondisabled family heads to ascertain how they differ from the nondisabled population and which subgroups are most at risk, and we examine changes in characteristics over time. Finally, we examine the effectiveness of public transfers in alleviating their poverty.

## Identification of the Disabled Population

Our definition of disability follows the information available in CPS and does not conform to the definition used by any disability program. A person with a disability is defined here as one who self-reports a long-term health problem or disability that interferes with work or who receives benefits reserved for persons with a certified disability. Thus, we may have included some persons who would not meet specific program criteria and excluded some others who might have been eligible but did not apply for benefits.

Our criteria follow those used by the Census Bureau in a study on the disabled population (Bureau of the Census, 1989a), based on questions in CPS. Their study included only those persons 16 to 64 years old who met at least one of the following six criteria (listed in order of increasing severity):

- had a health problem or disability preventing them from working or that limited the kind or amount of work they could do,
- retired or left a job for health reasons,
- did not work in the survey week because of a long-term physical or mental illness or disability preventing the performance of any kind of work,
- did not work at all in the previous year because of illness or disability,
- was under 65 years of age and covered by Medicare, or
- was under 65 years of age and a recipient of SSI.

A seventh criterion, whether the person was receiving Veterans Administration disability benefits, has recently been added by the Census Bureau. This criterion was not used in our analysis because information on that variable was not available in CPS for the 1980 population.

The Census Bureau distinguished between the severely and nonseverely disabled, considering those meeting the first two criteria above as nonseverely disabled (since persons meeting only these could in fact be working). To determine which criteria to use in our study, we compared the characteristics of those meeting some of these criteria but not others, on number of weeks worked, full-time or part-time employment, poverty rate, and GAO family-type. (Thus, those meeting only the first criterion were compared to those meeting only the second criterion, and so on.) We found that those meeting only the first two, or nonsevere, criteria differed substantially from those meeting the other, more severe criteria. The group meeting the third criterion (prevented from working in the survey week because of a long-term illness or disability) formed an intermediate group between the less severely and severely disabled. Since this intermediate group most resembled the severely disabled on employment and income, we included this criterion with the three more severe ones in forming our disability definition.

About 40 percent of the population meeting the four more severe disability criteria were not family heads but rather members of a larger family. This is not surprising since living with other family members is a logical way to compensate for a disadvantage in gaining income through earnings. Because our interest was in explaining the poverty of families via the characteristics of their family head, our analysis was restricted to those persons with a disability who head a family or live alone.<sup>1</sup>

Thus, in our analyses, we define disabled family heads as single individuals and family heads between ages 15 and 64 who met one or more of the four more severe indicators (unable to work in the survey week because of long-term disability, unable to work the entire previous year because of illness or disability, covered by Medicare while still under 65, or receiving disability SSR).

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<sup>1</sup>We also expect that more factors, pertaining to characteristics of other family members, come into play in attempting to explain the poverty levels of persons with a disability who are not family heads. We chose to focus on family heads with a disability to reduce this additional complexity. Also, as mentioned in chapter 2, the selection of family heads with a disability may undercount families in this group when a nondisabled spouse takes on the role of family head.

## **How the Characteristics of the Disabled Influenced Their Poverty**

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In 1988, there were an estimated 4.56 million disabled family heads, about 2.71 million men and 1.86 million women; their poverty rate was 45 percent, compared with 12 percent for nondisabled, nonelderly family heads. Disabled family heads differ substantially from the general population along several dimensions that are typically related to a family's likelihood of being in poverty. These differences are crucial to understanding their unusually high poverty rate.

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## **The Race, Sex, and Age of Disabled Family Heads in 1988**

Disabled family heads were typically white and male, although less so than were nondisabled family heads. Additionally, disabled family heads were substantially older than their nondisabled counterparts. Among the nondisabled, more than half the family heads were aged 25 to 44. In contrast, around 45 percent of disabled family heads were between 55 and 64 years old, with another 23 percent between ages 45 and 54.

The wide differences in poverty rate between the disabled and the nondisabled persisted even when controlling for the age, sex, or race of the family head. It is important to note that, although poverty tends to decrease with age in both groups, because disabled family heads were so concentrated among the oldest nonelderly group (ages 55 to 64), disability accounted for almost half of the poverty for all family heads in that age group. (Table 5.1 compares the disabled with the nondisabled in 1988 only; changes since 1980 will be discussed later.)

**Chapter 5**  
**Poverty Status of Disabled Family Heads**

**Table 5.1: Age, Sex, and Race of Disabled and Nondisabled Family Heads, 1988\***

Characteristic	Disabled			Nondisabled		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>Age</b>						
15 to 24	108 (5%)	144 (3%)	75.0%	2,389 (26%)	7,671 (10%)	31.1%***
25 to 34	263 (13%)	478 (10%)	55.0	3,187 (35%)	23,323 (31%)	13.7***
35 to 44	364 (18%)	855 (19%)	42.6	1,846 (20%)	20,355 (27%)	9.1***
45 to 54	514 (25%)	1,051 (23%)	48.9	880 (10%)	13,524 (18%)	6.5***
55 to 64	794 (39%)	2,033 (45%)	39.1	876 (10%)	11,136 (15%)	7.9***
<b>Sex</b>						
Male	916 (45%)	2,705 (59%)	33.9	4,038 (44%)	54,037 (71%)	7.5***
Female	1,126 (55%)	1,856 (41%)	60.5	5,141 (56%)	21,972 (29%)	23.4***
<b>Race</b>						
White	1,243 (61%)	3,272 (72%)	38.0	6,464 (70%)	64,866 (85%)	10.0***
Black	739 (36%)	1,157 (25%)	63.9	2,279 (25%)	8,698 (11%)	26.2***
Other	61 (3%)	133 (3%)	45.9	434 (5%)	2,446 (3%)	17.7***
<b>Total</b>	<b>2,042 (100%)</b>	<b>4,562 (100%)</b>	<b>44.8</b>	<b>9,178 (100%)</b>	<b>76,008 (100%)</b>	<b>12.1***</b>

Difference in poverty rate between disabled and nondisabled

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

## The Educational Deficit of Disabled Family Heads

As shown in table 5.2, the education level of disabled family heads was extremely low in comparison with that of their nondisabled counterparts. Only 17 percent of nondisabled family heads had not completed high school, while 50 percent of the disabled had not. Only 18 percent of the disabled family heads had completed at least a year of college, whereas 46 percent of the nondisabled population had done so. Educational

attainment had a similar effect on the poverty rate of both disabled and nondisabled family heads; the rate declined sharply with increasing education. However, at each educational level, the disabled were more likely to be in poverty. Thus, even with a college degree, the disabled had a 1 in 4 chance of being in poverty. We did not attempt to determine how much of the poverty level of the disabled is related to their inability to work or to their obtaining lower-skilled and lower-paying jobs.

Table 5.2: Education and Family Type of Disabled and Nondisabled Family Heads, 1988<sup>a</sup>

Characteristic	Disabled			Nondisabled		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
<b>Education</b>						
No high school	729 (36%)	1,278 (28%)	57.0%	1,420 (15%)	4,754 (6%)	29.9%***
Some high school	501 (25%)	981 (22%)	51.1	2,227 (24%)	7,864 (10%)	28.3***
All high school	582 (28%)	1,495 (33%)	38.9	3,462 (38%)	28,374 (37%)	12.2***
Some college	153 (7%)	508 (11%)	30.1	1,372 (15%)	15,452 (20%)	8.9***
College graduate	77 (4%)	299 (7%)	25.8	697 (8%)	19,564 (26%)	3.6***
<b>Family type</b>						
Married couples with children	226 (11%)	719 (16%)	31.4	1,572 (17%)	24,603 (32%)	6.4***
Single parents with children	421 (21%)	625 (14%)	67.4	3,238 (35%)	8,117 (11%)	39.9***
Married couples without children	183 (9%)	1,040 (23%)	17.6	462 (5%)	17,054 (22%)	2.7***
Single heads without children	87 (4%)	302 (7%)	28.8	239 (3%)	3,223 (4%)	7.4***
Unrelated individuals	1,125 (55%)	1,876 (41%)	60.0	3,667 (40%)	23,013 (30%)	15.9***
<b>Total</b>	<b>2,042 (100%)</b>	<b>4,562 (100%)</b>	<b>44.8</b>	<b>9,178 (100%)</b>	<b>76,008 (100%)</b>	<b>12.1***</b>

Difference in poverty rate between disabled and nondisabled

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.



We cannot ascertain from the CPS data why the disabled family heads differed in sex, age, race, and educational level from the general population. We can see that each of these differences—except in age—tended to increase their poverty beyond that associated directly with disability. However, regardless of sex, age, race, or educational level, disabled family heads had substantially higher poverty rates than their nondisabled counterparts, so these personal characteristics account for only a portion of their high poverty rate.

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### The Composition of Families Headed by the Disabled

Families headed by a person with a disability were further disadvantaged by being less likely than those headed by the nondisabled to have more than one earner, to compensate for the disabled person's lower earnings. (See table 5.2.) Substantially fewer disabled than nondisabled family heads were married (39 percent versus 54 percent), and many more did not live with relatives at all (41 percent versus 30 percent lived as single adults). The disabled were also less likely than the nondisabled to head families with children under 18 (30 percent versus 43 percent). However, single parents comprised a slightly larger proportion of the families with a disabled rather than nondisabled head. Overall, a much larger percentage of disabled family heads lived in single-parent, single-person, or individual households (61 percent) than was the case in the nondisabled population (45 percent).

In summary, persons with a disability more frequently headed those types of families that, in the nondisabled population, are more vulnerable to poverty—that is single-parent families and single individuals. Family types were rank-ordered on poverty essentially the same for the disabled and the nondisabled, but the former had substantially higher rates of poverty in each type. Indeed, for two disabled family types (single parents with children and unrelated individuals), the odds of being in poverty were nearly 2 to 1.

Table 5.3 demonstrates, for 1988, one of the most important reasons for the large differences in poverty rate among the different family types: the availability of resources from other family members to supplement the disabled head's personal income. In all family types, disabled family heads had very little income from earnings, on average.<sup>2</sup> They received the bulk of their personal income from other sources (primarily government

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<sup>2</sup>As mentioned earlier, the criteria we used in defining persons with a disability generally meant they typically are unable to work and thus have very little earned income.

transfer programs, as is discussed later in examining changes between 1980 and 1988).

**Table 5.3: Average Family and Individual Income by Source for Disabled Family Heads, by Family Type, 1988**

Family type	Family income			Individual income		
	Earned income	Other income	Total income	Earned income	Other income	Total income
Married couples with children	\$10,447	\$11,430	\$21,878	\$2,075	\$8,621	\$10,696
Single parents with children	3,577	7,353	10,930	1,385	6,205	7,590
Married couples without children	10,623	13,077	23,700	1,724	9,846	11,570
Single heads without children	7,449	9,272	16,720	619	6,763	7,382
Unrelated individuals	1,160	6,628	7,788	1,160	6,628	7,788

The differences in average total income between family types were greatest when resources from other adult family members were available. Table 5.3 indicates that persons with a disability heading a family that includes other adults (for example, a spouse or adult child) had access to additional income, especially from those other adults' earnings. Unrelated individuals, of course, had no such additional source, and single parents with children had access to only a nominal amount, on average, earned by other family members.

## Changes in Risk of Poverty for the Disabled Population

There were more disabled family heads in poverty in 1988 (an estimated 2.0 million, or 45 percent of disabled family heads) than in 1980 (1.7 million, or 42 percent); this increase was not statistically significant. The population of disabled family heads changed very little on most of the demographic characteristics we examined. There was no significant change in household or family size, or in the sex or race of disabled family heads. There was a small, but not statistically significant, decline in the percentage of disabled family heads who did not work at all the previous year; hence, there was a slight, but not statistically significant, increase in the amount worked. The educational level of the disabled was somewhat higher in 1988, reflecting a trend in the general population (figures not shown).

As table 5.4 indicates, the age distribution of disabled family heads changed considerably between 1980 and 1988. Numerically, about 60 percent of the increase in the disabled population occurred among 25 to 44 year olds. Conversely, those aged 45 to 54 declined as a percentage of the total, and those in the oldest age group showed a decline in percentage

and a decline in numbers. Since younger disabled family heads had a higher poverty rate than their older counterparts (see table 5.1), the shift in the age distribution explains at least part of the 3-percent change in the overall poverty rate for the disabled.

**Table 5.4: Age Distribution of Disabled Family Heads, 1980 and 1988\***

Age group	1980		1988	
	Number	Percent of total	Number	Percent of total
15 to 24	109	2.7	144	3.2
25 to 34	366	9.1	478	10.5
35 to 44	544	13.5	855	18.7
45 to 54	959	23.7	1,051	23.0
55 to 64	2,065	51.1	2,033	44.6
<b>Total</b>	<b>4,044</b>	<b>100.0</b>	<b>4,562</b>	<b>100.0</b>

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

The decline in the percentage of older persons (under 65) and increase in those between 25 and 44 years of age parallel changes in the age distribution of the general population in this period. Other changes—for example, in program policies as well as in employment and family formation among persons with disabilities—may also have contributed to these results. For example, we noted a 4-percentage point increase in the receipt of Medicare benefits (to 44 percent in 1988) and ssi benefits (to 27 percent in 1988) on the part of disabled family heads. We do not know if the increases are due to more eligible persons applying for benefits, more applicants being accepted, or changes in who is designated as the family head.

As shown in table 5.5, the average annual total personal income of disabled family heads did not change between 1980 and 1988 (in constant dollars). As expected, their personal income was highly dependent on public and private cash transfers, of which Social Security payments comprised about a third (on average). Their average annual earnings increased by a small but statistically significant amount (from \$1,111 to \$1,428), while their average unearned income remained fairly stable. However, among unearned income sources, there were considerable differences between the incomes of the disabled family heads in 1980 and 1988.

**Table 5.5: Sources of Personal Income for Disabled Family Heads, 1980 and 1988<sup>a</sup>**

Type of payment	1980		1988	
	Amount received <sup>b</sup>	Percent of total	Amount received <sup>b</sup>	Percent of total
<b>Earned Income</b>	\$1,111	12.5	\$1,428**	15.8
<b>Other Income</b>	7,755	87.5	7,627	84.2
Social Security	3,011	34.0	2,758***	30.5
Supplemental Security Income (SSI)	719	8.1	911***	10.1
Public assistance and welfare	517	5.8	378***	4.2
Unemployment benefits	37	0.4	50	0.6
Workers' compensation	304	3.4	803***	8.9
Veterans' benefits	857	9.7	439***	4.8
Retirement	1,444	16.3	691***	7.6
Other private income	866	9.8	1,596***	17.6
<b>Total Income<sup>c</sup></b>	<b>\$8,866</b>	<b>100.0</b>	<b>\$9,055</b>	<b>100.0</b>

Change in amount received

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>In 1980, n = 4.04 million; in 1988, n = 4.56 million. Dollar amounts and percentages may not add to totals shown due to rounding.

<sup>b</sup>Averaged across recipients and nonrecipients.

<sup>c</sup>In 1988 dollars

Because the individual income components revealed several significant changes, we examined whether disabled family heads were less likely to be receiving benefits from various programs (such as Social Security and SSI) and then whether those receiving these benefits were getting a comparable amount (when adjusted for inflation).<sup>3</sup> In 1988, fewer were receiving Social Security benefits, although the amount for those receiving benefits was unchanged. In 1988, more were receiving SSI benefits—27 percent, up from 23 percent in 1980—and the average benefit amount increased from \$3,100 to \$3,400. However, fewer were receiving public assistance and welfare (12 percent, down from 15 percent), and the average amount for those receiving these benefits declined from \$3,600 to \$3,200. For the small percent receiving unemployment compensation and workers' compensation, there were significant increases in the amount

<sup>3</sup>We did not examine program changes in an attempt to explain changes in amounts received. This was beyond the scope of our study.

received, from \$2,600 to \$4,500 for unemployment compensation and \$7,800 to \$9,900 for workers' compensation.

The greater youth of disabled family heads in 1988 (as we saw in table 5.4) may partially explain their receiving lower average Social Security, veterans', and private retirement program benefits. The value of public and private pensions, beyond certain minimums, is highly influenced by one's previous work history. Thus, younger persons are less likely than older ones to have many years of work invested in their pensions to draw upon should they retire on disability. This may also help explain the relationship of poverty within the disabled family head population to age and education, even though very few of them are working. Age and education may influence the value of the disabled family head's retirement income through their effect on length of work history and value of previous earnings.

Table 5.6 shows that much of the overall change in poverty for disabled family heads (even if not statistically significant) was due to statistically significant changes in family composition. The number of married couples without children (the best-off group) declined by 69,000 between 1980 and 1988. Conversely, the number of single parents with children increased by 87,000 and unrelated individuals by 419,000. Thus, the two family groups with the highest poverty rates increased as a proportion of all disabled-headed families—while the group with the lowest poverty rate declined. Only married couples without children experienced a statistically significant poverty rate increase. Nevertheless, the shift in distribution across family type—with their dramatically different poverty rates—was the primary reason for the change in the overall poverty rate for the disabled. Overall, we estimate that 87 percent of the increase in the poverty rate for disabled family heads can be attributed to these changes in family composition.

**Chapter 5**  
**Poverty Status of Disabled Family Heads**

**Table 5.6: Poverty Rates of Disabled Family Heads, by Family Type, 1980 and 1988\***

Family type	1980			1988		
	In poverty	Total	Poverty rate	In poverty	Total	Poverty rate
Married couples with children	213 (13%)	606 (15%)	35.2%	226 (11%)	719 (16%)	31.4%
Single parents with children	380 (23%)	538 (13%)	70.6	421 (21%)	625 (14%)	67.4
Married couples without children	133 (8%)	1,109 (27%)	12.0	183 (9%)	1,040 (23%)	17.6**
Single heads without children	82 (5%)	333 (8%)	24.6	87 (4%)	302 (7%)	28.8
Unrelated individuals*	878 (52%)	1,457 (36%)	60.3	1,125 (55%)	1,876 (41%)	60.0
<b>Total</b>	<b>1,686 (100%)</b>	<b>4,044 (100%)</b>	<b>41.7%</b>	<b>2,042 (100%)</b>	<b>4,562 (100%)</b>	<b>44.8%</b>

Change in poverty rate

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

\*Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.

We noted earlier that persons with a disability more frequently headed families that, in the nondisabled population, are more vulnerable to poverty. Here, we see that the distribution of these families shifted even more toward these vulnerable types between 1980 and 1988.

To probe these changes in poverty further, we examined the changes in family income source for each family type. (See table 5.7.) Only single parents with children and unrelated individuals showed statistically significant changes in average total family income. In both cases, their increases came from changes in earned income rather than unearned income. Married couples with children also showed an increase in earned income. Thus, these families had more earned income in 1988, but earnings still were not the primary source of their income.

**Table 5.7: Average Family Income by Source for Disabled Family Heads, by Family Type, 1980 and 1988<sup>a</sup>**

Family type	1980			1988		
	Earned Income	Other Income	Total Income	Earned Income	Other Income	Total Income
Married couples with children	\$9,038	\$12,086	\$21,124	\$10,447*	\$11,430	\$21,878
Single parents with children	2,160	7,282	9,442	3,577***	7,353	10,930**
Married couples without children	10,176	13,873	24,048	10,623	13,077	23,700
Single heads without children	8,820	8,830	17,650	7,449	9,272	16,720
Unrelated individuals	665	6,049	6,714	1,160***	6,628	7,788**

Change in income

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

<sup>a</sup>In 1988 dollars

## Antipoverty Effectiveness of Cash and Near-Cash Transfers

Given the low personal income of the disabled, public transfers—both social insurance and means-tested programs—play an important role in their family income.<sup>4</sup> Therefore, we examined the effectiveness of public transfers (cash and near-cash) in removing families from poverty in order to understand their contribution to these disabled families' poverty status over time. Since income sources play such different roles in the income of families—for example, in families with and without a second adult earner—we examined the antipoverty effectiveness of various income sources by family type.

Public transfers reduced poverty dramatically for families headed by the disabled. While 42 to 91 percent of these families (across types) had income below the poverty line in both years when only private income was considered, only 11 to 55 percent did so after social insurance and means-tested benefits were added. (See table 5.8.)

<sup>4</sup>In this discussion, social insurance programs include Social Security, unemployment compensation, workers' compensation, and veterans' benefits. Means-tested programs include SSI, public assistance, Food Stamps, housing benefits, and school lunch subsidies. The effect of federal taxes was not included in this analysis because only a few families are affected overall. Note that means-tested programs include near-cash benefits, which are not included in the official poverty definition.

**Table 5.8: Percent of Disabled Family Heads in Poverty After Successive Inclusion of Public Cash and Near-Cash Benefits, by Family Type, 1980 and 1988**

Family type	1980			1988		
	Private income	Social insurance	Means-tested benefits	Private income	Social insurance	Means-tested benefits
Married couples with children	67%	43%	29%	61%	35%	29%
Single parents with children	91	83	55	86	78	54
Married couples without children	43	14	11	42	20*	16*
Single heads without children	56	37	21	57	39	26
Unrelated individuals	90	70	51	87	69	50
<b>Total</b>	<b>71%</b>	<b>49%</b>	<b>35%</b>	<b>71%</b>	<b>51%</b>	<b>38%</b>

Change in percent in poverty after inclusion of social insurance or means-tested benefits

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

Although all public transfers combined reduced the poverty rates of each type of family by similar amounts (32 to 39 percentage points in 1980 and 26 to 37 points in 1988), this did not represent equivalent effects. Since the groups differed significantly in adequacy of private income, transfers removed larger proportions of families from poverty in those groups that were better off to begin with. Table 5.9 shows the proportions removed successively from poverty first by social insurance and then by means-tested programs. The combined antipoverty effectiveness of these programs across groups—arrived at by adding the individual percentages—ranged from 39 to 74 percent in 1980 and 37 to 62 percent in 1988.



**Table 5.9: Percent of Disabled Family Heads Removed From Poverty by the Sequential Inclusion of Social Insurance and Means-Tested Benefits, by Family Type, 1980 and 1988**

Family type	1980			1988		
	Social insurance	Means-tested benefits	Combined benefits	Social insurance	Means-tested benefits	Combined benefits
Married couples with children	36%	21%	57%	43%	9%***	52%
Single parents with children	9	30	39	10	27	37
Married couples without children	67	7	74	54***	8	62
Single heads without children	34	29	63	32	22	54
Unrelated individuals	23	21	44	21***	21	42

Change in effectiveness for social insurance or means-tested benefits between 1980 and 1988

\* p < 0.10

\*\* p < 0.05

\*\*\* p < 0.01

Social insurance and means-tested programs tended to help different types of families headed by persons with a disability. Social insurance was most effective for disabled persons in married couples without children, raising income over the poverty line for 54 percent (in 1988) of those families who were poor on the basis of private income alone (see table 5.9). These programs were least effective for disabled single parents. However, in comparison with the official poverty definition, disabled single parents were most likely to be helped by means-tested near-cash benefits; including these benefits reduced their poverty rates from 71 (see table 5.6) to 55 percent (as indicated in table 5.8) in 1980, and from 67 to 54 percent in 1988. For the other family types, social insurance and means-tested benefits combined to reduce poverty rates by roughly one half (42 to 62 percent in 1988). Nevertheless, after consideration of cash and near-cash public transfers, disabled single parents and single individuals maintained poverty rates of over 50 percent in both years (see table 5.8).

Partly due to small sample sizes among families headed by the disabled, only one change in the antipoverty effectiveness of public transfers reached statistical significance; in addition, the changes are difficult to interpret. Social insurance removed significantly fewer married couples without children from poverty in 1988, accounting for this group's increased poverty rate (see table 5.6). It also removed fewer single individuals from poverty in 1988. However, we do not know whether this reduced effectiveness is due to changes in the social insurance programs or to differences in these subpopulations of the disabled (such as

employment history), which might have affected their eligibility or benefits. Means-tested benefits appeared less effective in 1988 in removing disabled persons in married couples with children from poverty, but this could have resulted from social insurance leaving fewer in need of additional assistance. By examining the effect on poverty of means-tested benefits in addition to social insurance benefits, the size of this effect is partly dependent on how many families remain in poverty after receipt of social insurance.

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## Summary

While the number of disabled family heads increased at about the same rate as the rest of the population between 1980 and 1988, their poverty rate increased by a statistically nonsignificant 3 percentage points (to almost 45 percent). This group's very high poverty rate was primarily driven by their very low personal earnings, which were to be expected based on our definition of disability as limiting or precluding work. The presence of a disability was associated with higher poverty rates within each category of age, sex, race, and level of education. However, the overall poverty of disabled family heads was exacerbated by (1) their very low educational attainment and (2) their lower likelihood—compared to their nondisabled counterparts—of living with other adults able to supplement their low personal income. Although they were substantially older on average than nondisabled family heads—(45 percent were between ages 55 and 64 in 1988)—their age tended to reduce their likelihood of poverty, possibly on account of access to higher public and private retirement benefits.

Married-couple families headed by persons with a disability escaped poverty primarily through the earnings of their family members. These other family members contributed, on average, \$8,000 in earnings and \$3,000 in other income in married-couple families, more than half of the total family income. Unrelated individuals and single parents with children, who must rely on public support, have very high poverty rates (60 percent and 67 percent, respectively, in 1988).

The major changes among the disabled between 1980 and 1988 occurred in the areas of family type and age. There was a 5-percentage point decline in those who were the heads of married-couple families and an equivalent increase in those who were living as unrelated individuals. Additionally, there was a 6-percentage point decline in the oldest group (aged 55 to 64), who had the lowest poverty rate. However, much of the apparent but not statistically significant increase in the poverty rate of the disabled between 1980 and 1988 was accounted for by an increased proportion of those

family types without other members to supplement the low personal income of the disabled family head.

Public transfers played an important role in the total income of families headed by persons with a disability, reducing their poverty rates dramatically. However, for single parents with children and individuals, less than half were removed from poverty by social insurance and means-tested benefits. In addition, a small decline in the antipoverty effectiveness of social insurance benefits explained the significantly increased poverty of married-couple families without children.

# The Effects of Other Adjustments to Poverty Measurement

In the previous three chapters, we examined changes in the composition of specific poverty populations. However, several issues have arisen in recent years concerning the measurement of poverty that may bear on these changes. In this chapter, we consider the treatment of work expenses, the payment of child support and state taxes, and adjustments in the poverty threshold for family size—issues specifically raised by the Committee in its request—as well as other issues. We treat each of these issues by summarizing its role in determining the poverty threshold and, where possible, presenting analyses showing what effect on poverty rates would result from its incorporation in the poverty definition.

## Incorporating Work Expenses

Frequently, in taking paid employment, people can incur expenses in addition to those they had when unemployed, such as union dues, the cost of tools or uniforms, travel to their place of work, or paid child care. While some of these expenses may be required by their employment, employees have some discretion over others, such as transportation and child care. There are often a number of options—ranging in cost from none to considerable—for handling these expenses. For example, one might be able to choose to carpool or work at home rather than purchase a car; similarly, one could schedule one's work hours during a child's school day or purchase preschool education. There is considerable controversy over how to accommodate such expenses when measuring a family's poverty.

One view focuses on simply identifying the disposable income available to purchase the basic necessities of food, clothing, and shelter and argues that actual expenses incurred in taking employment should be fully deducted from income for comparison with the thresholds. A second view recognizes these expenses as part of the basic necessities of employed families with children but recommends deducting only the cost of the least expensive options available. Yet another view is that such expenses should not be deducted at all because they represent consumption choices similar to the choice of type and place of employment or age and make of automobile. Since the validity of these views depends on one's conceptualization of poverty and the intended use of its measurement—over which there is little consensus—we do not judge one view as preferable to another. Instead, we conducted empirical analyses to ascertain the effect that deducting one form of work-related expense—the purchase of child care—would have on poverty rates.

We selected child care expenses for examination because (1) data on these expenses were available by family income level from SIPP data, and

(2) child care reportedly represents a major family expenditure for the working near-poor, especially for single parents.

To estimate the effect on poverty rates of subtracting child care payments from family cash income, we focused on those families who are at greatest risk of being "impoverished" by those expenses: married-couple and single-mother families with children whose income was between 100 and 125 percent of the poverty threshold. Because the SIPP survey found very few single males paying for care, we excluded them from our analysis. Using reported results from the 1986-87 SIPP survey (Bureau of the Census, 1990b) on working mothers' payments for child care, we estimated the numbers of near-poor families with children in 1980 and 1988 whose income would fall below the poverty level when those expenses were subtracted. As proportions of all such families with children, these figures represent the incremental effect on poverty rates of subtracting child care expenses for all married-couple and single-parent families with children.

SIPP provided estimates of the proportion of near-poor employed mothers who purchased care and the proportion of income those payments represented, on average. To ascertain how many families were probably affected, we applied these estimates to the proportions of married and single mothers who were both employed and near-poor in 1980 and 1988, as estimated from CPS. Then, assuming that families were distributed evenly across the interval representing income levels from 100 to 125 percent of the poverty threshold, we interpolated to find the percentage of families whose incomes would fall below the poverty level if that proportion of income were subtracted for child care.

Our analyses suggested that subtracting child care expenses from income in both years would increase poverty rates for married-couple families with children by 0.6 percentage points, but by 1.3 percentage points for single parents. The difference across family types is due partly to the higher employment rates for single mothers than married mothers, and partly to the larger proportion of single-mother families who are near-poor. These effects are small because SIPP data showed that near-poor working mothers were less likely than mothers generally (27.4 versus 32.8 percent) to make cash payments for child care. However, those near-poor working mothers who did make cash payments spent 16 percent of their monthly family income, on average, for child care. For comparison, mothers with incomes below the poverty line reported spending 22.8 percent of income on child care, while mothers above 125 percent of the poverty line spent 6.2 percent, on average. Thus, while child care expenses

would not have had a large effect on poverty rates for families with children as a whole, these payments—when made—would have had a dramatic impact on the disposable income of the near-poor, as well as that of poor working mothers.<sup>1</sup>

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## Incorporating Child Support

Many child support payments from an absent parent to a custodial parent are made under court order upon divorce, separation, or court establishment of paternal obligation; others are made voluntarily. Although the official poverty methodology counts child support payments received as a component of a family's annual cash income, the payment is not deducted from the absent parent's income. As is true in the treatment of child care expenses, controversy surrounds the handling of child support payments in calculating a family's poverty status. One view argues that if payments are court-ordered, they are obligatory, like income taxes, and should therefore be deducted from cash income to yield a more accurate estimate of disposable income. Another view argues that, unlike income taxes, these payments represent—even if court-ordered—consumption choices to bear children and then live separately from them and thus should be treated no differently in official poverty measurement than other financial obligations incurred.

Without forming an opinion on whether these payments should be incorporated in the official poverty definition, we addressed the empirical issue of the effect of deducting such payments on poverty rates. Due to data limitations—CPS contained no information on whether individuals are absent parents or made support payments to another household—we extrapolated the results of the 1985 SIPP survey (Bureau of the Census, 1987), with regard to who made such payments, to CPS results.

As with child care payments, in order for the subtraction of child support payments to affect poverty rates, a near-poor family must have paid more than the dollar amount by which their income exceeds the poverty threshold. Because SIPP data established that 92 percent of the payers were male, we excluded female payers from our analysis and estimated proportions of families paying support for only three family groups: married couples, male-headed families, and males living alone.

To estimate the proportions of near-poor families who were likely to have made payments in 1980 and 1988, we first computed the proportions of

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<sup>1</sup>For an analysis of predicted effects of deducting child-care expenses on the poverty rates of single mothers at various work levels, see GAO (1991).

persons paying child support, using information on marital status and relationship to householder found in the 1985 SIPP. These data revealed that low-income persons—that is, those with annual family incomes below \$15,000—were less likely than those with higher incomes to pay child support.<sup>2</sup> As a result, we decreased our estimates of those paying child support so that our calculated overall rate would conform to the lower rate for low-income persons observed in SIPP. We applied these proportions to the CPS distributions of poor and near-poor families on these characteristics in 1980 and 1988 in order to estimate the percent of low-income families paying support within each family group.

Accordingly, we estimated that, in 1980 and 1988, 3.3 percent of near-poor married couples, 6.2 and 6.1 percent of single male-headed families, and 6.4 percent of single male individuals paid child support. At these low rates, very few near-poor male-headed families would be moved below the poverty threshold by child support payments. We estimated that poverty rates for each of these three family types would be increased by less than 0.5 percentage point by deducting child support payments from family income. However, those who would pay—among the near poor and those already in poverty—would be heavily affected. In the 1985 SIPP, the average payment for low-income payers was \$1,654 (in 1985 dollars), representing 17 percent of their average income. Subtracting 17 percent of the income of poor and near-poor child support payers represents the loss of a considerable portion of their income.

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## **Incorporating State Taxes**

In addition to federal income and payroll taxes, individuals are often subject to a variety of state and local taxes levied on personal income, property, and purchases (including excise taxes on gasoline, tobacco, and alcohol). In previous analyses (U.S. Congress, 1991, pp. 1276-86), we estimated the state income and sales tax paid in 1980 and 1988 by two hypothetical families at the poverty level. Those estimates were prepared to analyze the effect on low-income families of changes in state taxes between 1980 and 1988 and were presented on a state-by-state basis.

To estimate the effect of these taxes on poverty rates, we extrapolated from these results to estimate the number of the near-poor whose incomes would fall below the poverty level if taxes were subtracted from their cash incomes. This analysis was restricted to the two family types for which we had estimated tax payments previously—single elderly persons and

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<sup>2</sup>In 1985, \$15,000 represented about 136 percent of poverty for a family of four and 274 percent of poverty for a single person.

married-couple families with children, and was limited to state income taxes.

In our previous analyses, we found that state sales taxes constituted a greater burden than state income taxes for both the poor elderly individual and poor family of four. However, because the poverty thresholds originate as a multiple of post-tax family expenditures and are updated for inflation on the basis of the post-tax CPI, the thresholds already incorporate average sales and excise taxes, as well as changes to those taxes. A family's state income tax liability was calculated by applying each state's tax rates, exemptions, standard deductions, and credits to the average profile of taxable and tax-exempt income for similar 1980 and 1988 CPS families. State tax structures were derived from Significant Features of Federalism (Advisory Committee on Intergovernmental Relations, 1980 and 1989). Elderly individuals with incomes below 150 percent of the poverty level were estimated to have had no (or near zero) state income tax liability in either year, on average, across the states. This was due to the fact that state income tax structures parallel the federal structure in providing favorable treatment to Social Security benefits. However, married-couple families of four at 150 percent of the poverty level were estimated to have paid between 0.1 and 4.6 percent of income in 1980 (0.3 and 4.0 percent in 1988) in state income taxes in the 42 states that had an income tax in either year. (Only 1 state had dropped its income tax by 1988.)

To estimate the effect of these taxes on national poverty rates in the absence of information on the distribution of the near-poor across the individual states, we assumed that a common proportion of income was spent on taxes across the states. Hence, we selected the mean value of each of the ranges given in the preceding paragraph to represent the most probable proportion of income these families would have spent on taxes, on average, across the nation. Thus, for married couples, we used 1.4 percent of income for 1980 and 1.5 percent for 1988. As in the previous analyses, we next estimated the numbers of near-poor families whose income would fall below the poverty threshold if that proportion of income were subtracted for state taxes. Finally, we determined the proportion of the overall population that these numbers represent. In this way, we estimated the poverty rate increases.

For both years, we estimated that deducting state taxes from total income would increase the poverty rate of all married couples with children by less than one third of 1 percentage point. We estimated that the poverty



rate of married-couple families with children would be increased by 0.25 percentage points in 1980 and 0.22 percentage points in 1988. That is, an estimated 6 percent of the near-poor (who constituted 4 percent of these families in each year) would fall into poverty by spending 1.4 to 1.5 percent of their income on state taxes. Since these figures do not reflect refundable tax credits available in some states, it is even more likely that state income taxes had an only marginal effect, on average, on families' poverty.

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## **Family-Size Adjustments**

Family-size adjustments involve setting the dollar amount of the poverty thresholds to achieve equivalence among families of different size and composition. As described in chapter 1, the basic methodology for establishing thresholds was developed in the early 1960s and included consideration of family size, sex of the family head, number of children under 18 years old, and farm versus nonfarm residence. In the intervening years, two major changes were made: In 1969, the use of the consumer price index to adjust for annual inflation was instituted; in 1982, the separate thresholds based on sex and farm versus nonfarm residence were eliminated, and poverty thresholds were extended to larger families. Otherwise, the thresholds defining poverty-level income have remained constant over the years.

Several issues concerning the equivalence of the thresholds have arisen in the years since the methodology's original development. In the following sections, we explore some of these issues and report others' analyses of the effect particular proposals would have on poverty populations and poverty rates.

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## **Incremental Increases in the Poverty Threshold**

The original poverty thresholds were based on estimates of minimally adequate family food budgets and a national survey finding in 1955 that families of three or more persons spent, on average, approximately one third of their (after tax) income on food. The minimum cost of a nutritionally adequate food plan, the "Economy Food Plan," as determined by USDA, was used to estimate food budgets for a variety of different family sizes and compositions. These family food budgets were then multiplied by 3 to obtain the poverty thresholds for these families. Slightly higher factors were used for smaller families to reflect their relatively larger fixed costs. These original thresholds have been adjusted for inflation since 1969, but since that time have not been adjusted for either USDA's periodic

recalculation of the cost of a minimum food plan or a determination of whether food expenses still constitute one third of a family's income.

As a result of the original assumptions about the fixed expenses of different household sizes, the poverty thresholds generally increase more slowly as the size of the family increases—on the assumption that as the number of people in the family increases, the incremental cost per person decreases. However, for the first two family-size adjustments (from 1 to 2 and from 2 to 3), this is not true. There is a 28-percent increase in the poverty threshold in going from a 1- to a 2-person household, a 23-percent increase from 2 to 3, and then another 28-percent increase in going from 3 to 4.<sup>3</sup> Further increments in the poverty threshold generally decrease in size with each subsequent addition to the family.

These irregularities are not based on an analysis (current or historical) of real incremental costs and create a bias in the likelihood that a family of a given size will be identified as poor. In the absence of current data on household costs, assuming a smoothly declining incremental cost per person would eliminate unjustified irregularities and, thus, be more neutral. Analysis by others of the effect of implementing such a proposal—while preserving the current average thresholds for families of 1 and 4—indicated that, while there might be no change in the overall poverty rate (based on 1980 data), poverty rates would increase for families smaller than 4 and decrease for larger ones.<sup>4</sup>

Eliminating irregularities, however, does not address the issue of how to establish the poverty thresholds to achieve equivalence across families when consumption patterns and the differential needs of the elderly are considered. The current thresholds make assumptions about these items that affect which families are considered poor and that may or may not be appropriate now.

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### The Separate Threshold for the Elderly

Although separate treatment of female-headed and farm families was discontinued, there is still a separate threshold for elderly individuals and couples. Their slightly lower thresholds were derived from the USDA food budgets, which were lower for those aged 65 and above. By applying the same food-to-income ratio as is used for the nonelderly to a reduced food budget, lower poverty thresholds were thus obtained for the elderly.

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<sup>3</sup>This last increment implies that as families grow from 3 to 4 persons, there are diseconomies of scale rather than economies.

<sup>4</sup>Further details on this issue can be found in Ruggles (1990), pp. 72-80.

In support of lower thresholds for the elderly, it is argued that they eat less than the nonelderly, they are less likely to have work-related expenses, and they are more likely to own their own homes—implying that the elderly have lower expenses in general than the nonelderly. On the other hand, the elderly spend more on medical expenses, and the cost of health care has risen dramatically over the last decade. Further, even though the elderly own their homes, these homes tend to be older and thus may require more maintenance. Even though expenditure surveys find their consumption levels lower than those of the nonelderly, this could be the result of their typically smaller family size and income. This does not demonstrate that they have lower basic needs overall. Thus, there seems little empirical justification for a separate threshold for the elderly.

If the same threshold were used for the nonelderly and the elderly, Ruggles (1990) found that the poverty rate for the elderly would increase by several percentage points (from 12.4 percent to 15.3 percent, using 1986 data). However, the effect on the overall poverty rate would be much less, adding only 0.3 percentage points to the 1986 poverty rate for all persons.

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## Unit of Analysis

An additional issue in poverty measurement is the unit of analysis used to define poverty. The official definition totals the income of all related family members in a household on the assumption that the family pools its income completely to meet the basic living expenses of its members. Pooling of income, no doubt, varies from family to family and from time to time. It may be less complete in extended families that include subfamilies of married couples or parents and children. Since it would be quite difficult to gather data on this activity, most analysts assume that families pool their income completely. When extended families are formed due to individuals' inability to support themselves, with a resultant pooling of income, however, the published poverty rates may not reflect the ability of these individuals to sustain an adequate personal income.

A parallel problem arises for people who live together and share resources as a family but are not treated as a family by the official definition. We examined the situation of cohabiting couples in chapter 3 and saw that treating these couples as a family for income purposes would have a small, but noticeable, effect on the poverty rate of single parents. We also showed that single parents living with others constituted a rapidly increasing segment of this population. We lack information on the extent to which these households pool income.

Calculating the poverty rate using family or individual units of analysis in a mutually exclusive way can understate or overstate the extent of poverty. For example, if poor families tend to have larger families, then analyzing the number of families in poverty may understate the extent of personal poverty. The use of both individual and family data helps portray the situation more comprehensively. However, this approach does not account for the rapidly expanding group of individuals and families who are living together.

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## Inflation and Other Adjustments

In an effort to maintain equivalence of purchasing power over time, the poverty thresholds have been adjusted annually for inflation since 1967 with the consumer price index representing the expenditures of most consumers (initially CPI-W, then CPI-U). During the late 1970s, CPI-U rose at rapid rates (11.3 percent between 1978 and 1979, and 13.5 percent between 1979 and 1980). It was determined that much of this increase was a result of the way CPI-U treated price increases for housing—heavily weighting the price of new housing, thus inaccurately representing overall housing cost increases. As a result, in 1983 CPI-U was adjusted to take account of this problem.

Updating CPI-U did not, however, correct the inflated adjustments of the poverty thresholds made in the late 1970s. The previous CPI-U inaccuracies resulted in inflated thresholds and poverty rates. As a result, the CPI-U-X1 price index was developed to adjust the poverty thresholds for the years 1967 to 1982 to account for the inaccuracies in the original CPI-U. This price index has not been adopted for calculating the official poverty thresholds but rather for conducting historical comparisons such as, for example, those in this report. Adjusting the 1988 poverty level using this index yields a lower rate of poverty, a drop of 1.5 percentage points for all persons. Use of CPI-U-X1 has been found to provide lower poverty rates in particular for elderly persons; their poverty rate in 1988 was 12.0 percent under the official thresholds and 9.6 percent under thresholds based on CPI-U-X1 (Bureau of the Census, 1989b).

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## Adjustments for Geographic Differences

Another concern has been to maintain equivalence in standard of living across geographic locations. A person or family living in a major city would typically have higher costs of living than a person living in a rural environment, yet the existing thresholds assume that there is no such differential. In addition, some regions have higher costs of living than others. For example, the Northeast has a substantially higher cost of living

than both the Midwest and the South. However, raising the poverty threshold for only one region to compensate for this cost of living differential would decrease the poverty rate, while simultaneously reducing thresholds for the Midwest and the South might yield no net change.

One argument against adjusting poverty thresholds for regions, as well as for urban and rural areas, is that we lack detailed data on which to base these adjustments. Another argument is that differentials within these regions may exceed those between regions. Thus, for example, adjusting the poverty threshold for these large regional differences might still fail to state accurately the poverty level in New York City. However, as previously noted, maintaining one national threshold currently equates the cost of living in New York to the cost of living in Mississippi. Overall, while these adjustments could result in a more accurate measurement of a family's ability to purchase a minimally adequate standard of living, they are best justified when the adjustments would result in fewer errors than are already present in the current system.

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## **Alternatives to Income-Based Thresholds**

The current method of measuring poverty is based on the idea of establishing those levels of income sufficient to purchase a minimally adequate level of consumption, rather than meeting families' needs equally. As a result of the possible obsolescence of many of the assumptions upon which the thresholds are based, several proposals have been advanced to change the basis for determining need. In general, these proposals are based on either refining the methods for determining current consumption patterns, establishing subjective measures of need (based on utility), or attempting to measure the amount of material hardship.<sup>6</sup>

Mayer and Jencks (1989), for example, attempted to determine the amount of material hardship experienced by a family, measured as unmet needs in housing, food, and medical care. They then found that their measures of unmet needs were only modestly related to the official definition of poverty. Income-based measures of poverty will inevitably only imperfectly correspond to measures of material hardship, however, for a variety of reasons—including the effects of near-cash benefits, regional variations in cost of living, and variation in family needs.

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<sup>6</sup>See Ruggles (1990) and Mayer and Jencks (1989) for further discussion of these issues.

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## **Summary**

In this chapter, we have examined several expenses that have been considered for deduction from total cash income before determining a family's poverty status. We found that deducting the more prominent of these expenses—namely, those for child care, child support, and state taxes—affects primarily the near-poor (those whose incomes fall between 100 and 125 percent of the poverty level). We have estimated the number who would be moved into poverty by these expenses and have found that each would affect overall poverty rates by less than 1 percentage point. However, this small change minimizes the impact of these expenses on individual near-poor or poor families who pay these expenses. For child care and child support, the expenses are very large, representing 15 to 20 percent of total income. The effect is much smaller for state taxes.

The measurement of poverty has changed little in nearly 30 years. During that time, many issues affecting the official poverty thresholds have emerged as incompletely resolved by the current method. These issues include consumption patterns that differ from those used in the original construction of the thresholds, as well as questions concerning how inflation, geographic differences, and changing household compositions have been addressed. For many of these issues, data are not currently available to determine their effect on poverty rates; however, it is clear that, in individual cases, the effect can be very large.



# Composition of the General and Poverty Populations, 1980 and 1988<sup>a</sup>

Family type	All persons		Poverty rate		Poor persons	
	1980	1988	1980	1988	1980	1988
Elderly-headed	29,355 (13.0%)	34,339 (14.1%)	15.7%	12.0%	4,620 (15.8%)	4,116 (13.0%)
Disabled-headed	9,834 (4.4%)	10,380 (4.3%)	39.6	41.1	3,894 (13.3%)	4,263 (13.4%)
Single-parent families with children under 18	20,421 (9.1%)	25,035 (10.3%)	41.8	42.6	8,539 (29.2%)	10,673 (33.6%)
Married-couple families with children under 18	103,877 (46.2%)	101,625 (41.7%)	7.6	7.3	7,914 (27.0%)	7,456 (23.5%)
Unrelated individuals (singles)	17,684 (7.9%)	23,012 (9.4%)	16.4	15.9	2,902 (9.9%)	3,667 (11.6%)
Families without children under 18	43,857 (19.5%)	49,138 (20.1%)	3.2	3.2	1,413 (4.8%)	1,570 (4.9%)
<b>Total</b>	<b>225,027 (100.0%)</b>	<b>243,530 (100.0%)</b>	<b>13.0%</b>	<b>13.0%</b>	<b>29,282 (100.0%)</b>	<b>31,745 (100.0%)</b>

<sup>a</sup>Numbers in thousands. Numbers and percentages may not add to totals shown due to rounding.



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