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## POVERTY IN AMERICA: WHAT THE DATA REVEAL

### INTRODUCTION

Poverty continues to be a highly emotional and politicized issue in the United States. Unfortunately for both the poor and the taxpayer, the amount of money voted for anti-poverty programs has been taken as a measure of individual lawmakers' concern for poor Americans. Selective data are used routinely to score political points, yet the broad picture provided by the mass of available statistics is rarely considered when policy decisions are made.

As Congress prepares to consider the FY 1987 federal budget, with the legal requirement that it must balance the budget by 1991, it is essential that program changes are made based on the nature of poverty as revealed by noncontroversial statistics, and not according to anecdotes and unrepresentative emotional appeals.

Such statistics, produced by the Census Bureau and respected academic researchers, show that poverty in America has a very clear pattern. It has nothing to do with the economic policies of the past four years--indeed the economic expansion since 1982 has caused the first reduction in the poverty rate in six years and the largest reduction since the 1960s. Poverty in the U.S. has much more to do with deep cultural and demographic trends. To the degree that federal policy can significantly affect the pattern of poverty, it must thus address the issues raised by these trends.

Poverty is heavily concentrated, for instance, among children in single-parent-headed households. This is a reflection of the erosion of the nuclear family. While it is unreasonable to claim that federal policy is the cause of this erosion, it is nonetheless the case that poverty programs do concentrate on the consequences of the trend and provide few incentives to keep families together. If Congress is to address poverty seriously, it must deal with these fundamental social

aspects of the problem. A poverty population composed primarily of children and single parents with child care responsibilities suggests that the Great Society's objective of self-sufficiency may be an elusive goal.

In the upcoming budget debate, where statistics will tend to overwhelm even the most numerate lawmaker, it is important for the poor that their true characteristics be kept firmly in mind. And the statistical evidence reveals that the vast majority of the poor are not working long hours at "poverty wages." Most are either not in the work force or have only a very tenuous connection with it.<sup>1</sup> This does not imply that the majority of the poor are unwilling to work. Most are, in fact, children, or elderly, or disabled, or have child care responsibilities, or work part-time because they are poorly educated and have limited job opportunities. Moreover, it is a myth that programs, as now designed, reach all those in need. As many as 40 percent do not receive any public financial assistance at all.<sup>2</sup>

The poor tend to be young: families with heads of households under 24 and children have the highest poverty rates. On the other hand, despite the rhetoric, the elderly are not, as a group, in dire straits; they are relatively well off, although certain subgroups of the aged, such as women over 70 living alone, can be very poor.

The fact that women and children are more likely to be poor is closely connected to the fact that paid employment is the surest way out of poverty. But the circumstances in which women with children find themselves, particularly if they are single parents, raise considerable barriers for them in gaining a foothold in the labor market. The poverty rate for full-time year-round workers is a remarkably low 2.9 percent. This is true even though annual earnings at the minimum wage would not be enough to raise anyone but a single individual or elderly couple above the poverty line.

The "feminization" of poverty also turns out to have nothing to do with sex discrimination. Rather, it reflects broad societal changes over several decades. Moreover, the underlying reason for increasing poverty among children since the 1960s is clearly related to the marked growth of female-headed households. This presents the greatest single challenge to anti-poverty policy in the 1980s. And the lessons of the 1960s and 1970s make it clear that there are no quick and easy solutions.

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1. Data in this paper, unless otherwise noted, are from Census Bureau publications, especially Money Income and Poverty Status of Families and Persons in the United States: 1984 (Washington, D.C.: Current Population Reports, Series P-60, No. 149, 1985).

2. See S. Anna Kondratas, "The Problems of Measuring Poverty," Heritage Foundation Background No. 360, November 1, 1984, p. 1.

Rather than engaging in another acrimonious debate on the anti-poverty budget, where the questions center on how much money should be channeled into existing programs, Congress should begin considering structural reforms in the decades-old welfare programs. The best way for lawmakers to prepare themselves for that task is for them to recognize the nature of poverty revealed by the available data.

## CHARACTERISTICS OF THE POVERTY POPULATION

### Age Distribution

The age groups with the lowest poverty rates predictably are those in their prime earning years. The poverty rate for those between ages 22 and 44 is 11.7 percent (compared with the overall poverty rate of 14.4 percent). Above age 55, the poverty rate begins to inch up, but the 12.4 percent rate for those 65 and over is still below the national average.

The economic situation of the elderly, as a group, is actually more favorable than their official poverty rate indicates. This is because assets are ignored in the official definition of poverty, which takes only annual pre-tax cash income into account. The average elderly household has one-third more after-tax income per member than the average baby boom household and three times its financial assets.<sup>3</sup> Thus the popular image of the elderly as an economically disadvantaged group is false. This does not mean, of course, that segments of the elderly population do not suffer disproportionately high rates of poverty. About one-fourth of unrelated elderly individuals, for instance, are poor, and about one-half of the elderly poor are aged women who live alone, especially those past 70.

The highest poverty rates by age, however, are among the young. Families where the head of household is between the ages of 15 and 24 have a poverty rate of 29 percent. Children under 18 suffer a poverty rate of 22 percent, and younger children are more likely to be poor. Black children under 3, for example, have a poverty rate of 53 percent.

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3. Aldona E. Robbins and Paul Craig Roberts, The Economic Status of the Aged: Implications for Energy Policy, The Institute for Political Economy, Washington, D.C., September 27, 1985, pp. 3-4.

## Sex

The total number of females in poverty is 19.1 million, compared to 14.5 million males. While there thus are about 32 percent again more poor women than men, there are only 6 percent more women than men in the general population. The poverty rate for women in all age groups, including children, is also higher than that for men. The most significant difference is in the over-65 group. An elderly woman is nearly twice as likely as a man to be poor (poverty rates of 15 and 8.7 percent respectively). Only 7 percent of poor men are 65 and over, but 13 percent of poor women are in that age bracket. This reflects traditional work and retirement-benefit patterns of women. Their greater longevity is also a factor, as savings become exhausted and health deteriorates.

## Work Patterns

The data indicate that 12.2 percent of the population over 15 is poor--over 22 million people. Of these, over 13 million did not work at all during 1984. Surveys show that 85 percent of these individuals did not work because they were ill or disabled (2.7 million), keeping house (4.1 million), going to school (2.3 million), or retired (2.1 million). Only 11 percent of adult Americans in poverty who did not work (1.4 million) were unable to find work.

Of the 9.1 million poor who did work at some time during the year, only 2 million worked full-time all year round. In fact, the poverty rate for full-time workers who do not suffer spells of unemployment is a low 2.9 percent (5.2 percent for blacks). Families whose household head works full-time have a poverty rate of 3.5 percent. Nevertheless, it is possible for a person to work full-time all year and still fall below the official poverty line, particularly if he or she has dependents. But the most important factor is whether or not the family is intact, with the potential for at least two full-time wage earners. Gross annual earnings at the minimum wage are \$6,968; this is below the official poverty level for all but individuals (\$5,278) and elderly couples (\$6,282). On the other hand, two-earner families usually escape poverty. Indeed, two full-time minimum-wage earners in a family would raise even a five-person household out of poverty.

## Geographical Distribution

The South, with 12.8 million in poverty, has the greatest number of poor by far; this compares with 8.3 million in the Midwest, 6.5 million in the Northeast, and 6.1 million in the West. This is partly because the South, with 34 percent of the total U.S. population, is now the most populous region. But the rate in the South also is exaggerated by shortcomings of the poverty rate as a measure of actual

poverty. In particular, the official poverty definition does not take into account geographic cost-of-living differentials.

The number of poor whites in the Midwest is nearly as high as in the South (6 million and 7.5 million respectively), but more than half of America's poor blacks--some 5 million--reside in the South, accounting for one of three blacks in that region. Yet the highest black poverty rate is in the Midwest; nearly two of five Midwestern blacks are poor. And contrary to the myth that America's poor are an urban underclass, only 14 percent of the poor live in "poverty areas" of central cities.<sup>4</sup>

### Children and Poverty

Whereas the vast majority of poor families have three or fewer children under 18, children affect a family's financial status considerably, as any parent knows. Families with no children have a very low 5.4 percent poverty rate. Families with one child have a poverty rate of 12.7 percent. The rate rises rapidly for large families. The poverty rate for families with four children is 34.5 percent and 52.7 percent for those with five or more. As might be expected, the highest poverty rate, 87.1 percent, is for black female-headed families with five children or more; but there are only some 100,000 such poor families in the U.S.

### Education

More than half of poor household heads over 24 have less than a high school education. The less educated the head of household, the more likely a family is to be poor. When the head of household has only an elementary education or less, nearly one in four families is poor. When the head of household has finished one to three years of high school education, one of five such families is poor. The overall poverty rate drops to one of twenty families if the family head has one year or more of college.

Black families with similar levels of education to those of families in other groups are more likely to be poor, and women are even more so. The poverty rate for black families when the head of household has four years of high school, for example, is 26 percent (compared with 10 percent overall for that educational group); for female-headed families, 27 percent; and for black female-headed families, 44 percent. But although this correlation exists between poverty and educational achievements, skills as such may not be the crucial factor. In the majority of poor families headed by blacks and women, the head of household is not only not employed but he or she is

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4. William P. O'Hare, "The Myths of Poverty," Focus, Joint Center for Political Studies, May 1985, p. 3.

not even in the labor force. Families headed by white males are far more likely to have employed household heads. Only 35 percent of poor white male household heads are not in the labor force, compared with 45 percent of poor black males, 60 percent of white females, and 62 percent of black females. For all families with a household head not in the labor force, the poverty rate is 23 percent.

#### LONG-TERM AND SHORT-TERM POVERTY

According to a study of the poor conducted at the University of Michigan, there are differences in the characteristics of the long-term and short-term poor.<sup>5</sup> Over the 10-year period under study (1968-1978), about 25 percent of the population experienced at least a short spell of poverty. The characteristics of these short-term poor did not differ appreciably from those of the general population. But the persistently poor--less than 3 percent of the population, according to the Michigan researchers--were overwhelmingly in black or female-headed households, and mainly concentrated in black female-headed households. About 62 percent of the persistently poor were black, and about 61 percent were in female-headed households (with considerable overlap).

The Michigan researchers, who believe their results are still applicable, note that more of the short-term poor live in urban areas than in small towns or rural areas, but that the persistently poor are far more likely to live in small towns and rural areas. One-third of the long-term poor live in rural areas, they discovered, suggesting that "southern and rural poverty are much more persistent than is urban poverty."<sup>6</sup> One of the major reasons for this, according to their analysis, is that the urban poor are far more likely to be receiving long-term cash welfare, which is counted as income in determining poverty status. Earned income, according to the Michigan study, is definitely the surest way out of poverty. This could include, of course, the individual's own income and that of other family members.

But the vast majority of the persistently poor live in households headed by a person who is disabled, elderly, or has child-care responsibilities. Only one-sixth of the persistently poor live in families headed by able-bodied nonelderly men and fewer than half of the latter work for any substantial periods.

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5. Greg J. Duncan *et al.*, Years of Poverty, Years of Plenty, Institute for Social Research, University of Michigan, Ann Arbor, Michigan, 1984, pp. 48-52. "Persistently poor" is defined in the study as having been poor 8 years or longer.

6. *Ibid.*, p. 51.

## THE FEMINIZATION OF POVERTY

The stereotype of a single welfare mother as a woman with many children of uncertain paternity is inaccurate. The mean number of children in poor female-headed households is 2.2, compared to 2.3 in all poor families. Of poor families with no children, as well as those with 4 or more children, the majority are not female-headed. The majority of poor families with one or two children, and a slim majority of those with three children, however, are headed by women.

A far larger proportion of poor families are headed by women today than was the case 15 or 25 years ago. In 1959, for example, only 25 percent of poor whites and 29 percent of poor blacks lived in female-headed households. By 1970, that proportion had risen to 39 percent of whites and 56 percent of blacks. In 1984 the figures reached 42 percent of whites and 68 percent of blacks.

### Explanations of the Pattern

This pattern has been popularly attributed to various causes. One view is that the policy of making welfare more available to women without husbands has discouraged work and marriage.<sup>7</sup> Another school of thought<sup>8</sup> blames pay discrimination against women in labor markets.<sup>8</sup> Still another says that there is a dearth of marriageable black men<sup>9</sup> because of high black male unemployment rates and low earnings.

Of these explanations, the labor market discrimination theory is the weakest. The main reason female-headed families are poor is that the household head is not even in the labor force. It is the changes in family structure that underlie this trend, and indeed, these

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7. This is essentially the view argued by Charles Murray in Losing Ground (New York: Basic Books, 1984) and George Gilder in Wealth and Poverty (New York: Basic Books, 1981).

8. Without any empirical evidence, this explanation is advanced by supporters of the controversial concept of "comparable worth." The "continuing increase in the number of women and children who live at, near, or below the poverty level...", asserts a bill introduced in the House of Representatives by Rep. Mary Rose Oakar (D-OH), "is largely the result of such employment discrimination on the basis of sex."

9. Such a possibility is suggested by Duncan op. cit., p. 64, and by June O'Neill et al., "An Analysis of Time on Welfare," The Urban Institute, June 1984, p. 13.

changes "are primarily a response to improvements in the employment opportunities of women relative to men, and especially black men."<sup>10</sup>

Poor female-headed households, by and large, tend to be on welfare. Thus, it is not surprising that they are poor, since cash welfare benefits alone are seldom sufficient to raise family members above the poverty threshold. On the other hand, the official poverty statistics do not necessarily reflect accurately the relative status of these women, since many, particularly in urban areas, also receive in-kind benefits, which are not calculated in measuring poverty. Also, welfare recipients underreport their cash welfare income to the Census Bureau by as much as 24 percent, according to Census Bureau calculations.

The argument about the lack of "marriageable" black men has some plausibility. Yet it would be hard to argue that employment opportunities were better for black men 25 years ago than they are today; this did not seem to discourage marriage among blacks then. But rising employment opportunities for women and rising real welfare benefits over the period (real benefits did not begin declining till the mid-1970s) certainly provided women with options they did not have earlier. In this sense, welfare certainly facilitates the nonformation or breakup of nuclear families.

There is no doubt that the availability of welfare has affected the rate of female household formation, and has thus contributed to the increase of the number of female-headed households in poverty. In a study prepared for the U.S. Department of Health and Human Services, David Ellwood and Mary Jo Bane of Harvard University found that the living arrangements of young mothers "is sharply influenced by the level of AFDC benefits in a state."<sup>11</sup> In other words, young single mothers with children who might live with their own parents in the absence of high AFDC benefits tend to set up independent households where benefit levels allow that. Ellwood and Bane estimate that "a \$100 increase in benefit levels nationally would increase the number of independent female heads by as much as 15 percent."<sup>12</sup> Likewise, Harvard researchers found that AFDC benefits had an "important influence" on divorce and separation rates for women under the age of 24, estimating that a \$100 increase in benefit levels would result in

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10. Sara McLanahan, "Charles Murray and the Family," in Losing Ground: A Critique (Madison, Wisconsin: Institute for Research on Poverty, Special Report No. 38, August 1985), p. 5. As further support of this thesis, McLanahan cites other research done for the Institute for Research on Poverty and the Urban Institute.

11. David T. Ellwood and Mary Jo Bane, "The Impact of AFDC on Family Structure and Living Arrangements," Harvard University, March 1984, p. 3.

12. Ibid., p. 34.



an increase in the number of divorced and separated mothers of about 10 percent.<sup>13</sup>

The Ellwood and Bane study noted, however, "little evidence that AFDC influenced the child-bearing decisions of unmarried women."<sup>14</sup> This finding has been widely cited as "proof" that welfare is not the main cause of rising illegitimacy in the U.S. Yet the authors themselves have noted some of the difficulties of developing a methodology to test such a hypothesis, and stressed the tentative nature of all their conclusions. It is not necessary, however, to assume that welfare causes illegitimacy, since there is no doubt that, once illegitimate children are born, welfare levels affect the choice of a life style that enhances the prospects for long-term welfare dependency and poverty, particularly for unmarried black women.<sup>15</sup>

#### The Root Causes of the Problem

The feminization of poverty cannot be blamed entirely on the structure of the welfare system. The increase in female-headed households, for instance, is by no means limited to the poor. This is another reason why it is difficult to argue that the increase in welfare benefits over the past two decades was the only or even main cause of the rise in single motherhood.

Since 1959, the number of persons in female-headed households has increased 133 percent; the number of persons in poor female-headed households increased only by 58 percent, as their poverty rate declined from 50 percent to 34 percent. Two out of three persons in female-headed households today are not poor. Family dissolution in the 1960s and 1970s increased across income-level lines. But it is family dissolution among the poor that results in the greater social costs.

#### THE POVERTY OF CHILDREN

Since 1959 the share of children living in female-headed households rose from 9 to 20 percent.<sup>16</sup> Because of the inherently lower earning capacity of single-parent families compared with

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13. Ibid., p. 42.

14. Ibid., p. 6.

15. See O'Neill, et al., op. cit.

16. House Committee on Ways and Means, Children in Poverty, May 22, 1985, p. 57. Much of the subsequent discussion is based on Chapters III and IV of this volume.

two-parent families, female-headed households have significantly higher poverty rates than do those with male heads. Thus, understandably, the poverty rate for children is disproportionately high--21 percent in 1984, or one child in five. Of these, nearly 40 percent of poor white children, and 75 percent of poor black children, live in female-headed families.

There also has been upward pressure on the child poverty rate (as opposed to numbers) because of another phenomenon: the decline in marital fertility and the trend toward smaller two-parent families. Between 1967 (the first year for which detailed information is available) and 1983, families with children increased by about 4.3 million, and almost 4 million of these were female-headed households.<sup>17</sup> Even as families increased, the total number of persons in families with children declined by about a million. But the number of persons in female-headed families increased by 11 million.

About 62 percent of the increase in families with children represents families headed by a divorced or separated woman. Far more disquieting is the rise in families headed by women who never have been married. The number of persons in such households has risen 550 percent since 1967 (from 1 percent to approximately 5.5 percent). Families headed by never married women have about a 70 percent poverty rate, and three out of four children of such mothers are poor. One-fifth of all births in the U.S. in 1980 were to unwed mothers. It is interesting to note that the increased incidence of child poverty has coincided with this trend. Child poverty almost halved in the decade from 1959 to 1969, reaching a low of 14 percent. Although it is still lower than in 1959, it is now more than 50 percent above its 1969 low.

As for the persistently poor, 90 percent of the children in those families are black. Most lack a father at home, live in the South, and are disproportionately rural residents. Overall, 40 percent of children whose mother and father both have not completed high school are poor. Only 7 percent of the children of high school graduates are below the poverty line.

Thus it is misleading, in a sense, to talk of the phenomenon of "child poverty" as if it were a separate issue and somehow caused by government policy. There is no child poverty without family poverty, which is frequently the result of decisions by individual adults who have ignored their parental responsibilities. Almost 90 percent of

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17. Statement by David A. Stockman, Director, Office of Management and Budget, before the House Ways and Means Subcommittees on Oversight and on Public Assistance and Unemployment, U.S. Congress, September 20, 1984, p. 26.

children on AFDC, for instance, have able-bodied but absent fathers; nearly 50 percent of those fathers were not married to the mother.

## POLICY ISSUES AFFECTING CHILDREN

A fundamental question that policy makers will have to address is to what degree public policy aimed at reducing child poverty can, or should, address sweeping societal changes in family structure. Certainly it is not appropriate for government to try actively to influence fundamentally private decisions concerning living arrangements or reproduction. But then what are the limits of government responsibility for the unpleasant outcomes of personal decisions? There is a great need (and strong bipartisan support) for significantly strengthening the child support enforcement program to tap the earnings capacity of an absent parent. But this approach has its limits and cannot be expected to solve the problem of child poverty.

Societal assistance to poor children, of course, is justifiable not merely because children are not to blame for parental decisions, but also because there is a strong public interest in fostering a well-educated, healthy, and responsible future generation. The question is the best way of doing so. There is no denying that "higher family earnings are the primary route out of poverty for children."<sup>18</sup> In male-headed families, 91 percent of "poverty exits" are the result of increased earnings. The corresponding figure for female-headed families is 60 percent. In both cases, this is usually not because the household head's wage income has increased but because an additional family member has joined the workforce. Thus the best way to help children is to encourage or enable their parents to work, whether they are single or married. And from Massachusetts to California, this seems to be the direction of welfare reform.

## CONCLUSION

Social class in the U.S. is not a permanent condition. The U.S. is characterized by a remarkably open socioeconomic system. There is significant turnover in the poverty population as individual circumstances improve or worsen. A very small proportion of the poor persists in poverty.

Yet political rhetoric frequently refers to "the poor" as an

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18. Congressional Research Service, "Summary of Poor Children: A Study of Trends and Policy, 1968-1984," May 22, 1985, p. 10.

undifferentiated underclass, and partisan politicians sometimes evoke images of Dickensian squalor as if the poor were always victims of economic injustice sanctioned by government policy. The nature of poverty varies in different societies and changes over time in each society. In the U.S., for example, poverty in the 1930s was widespread and primarily the result of massive unemployment. Today, general unemployment is not the main cause of poverty--fewer than 11 percent of poor adults who did not work in 1984 gave inability to find work as the main cause of their unemployment.

The poverty population is largely unemployable--it includes 39 percent children, 10 percent elderly, and 8 percent disabled--or faces significant barriers to employment, as is the case for some of the disabled and for many of the 3 million female heads of household with children. Full-time year-round workers, the so-called working poor, comprise only 6 percent of the poverty population. Workers who suffer spells of unemployment during the year (including part-time workers) represent another 10 percent.

Policy makers need to develop specific strategies to ameliorate the lives of these differing poverty subgroups. Since broad societal changes frequently create unexpected consequences--for example, skyrocketing divorce and illegitimacy rates have resulted in the feminization of poverty--policy makers should be aware of the implications of such changes for anti-poverty and welfare policy. They also must be aware of how government programs unintentionally may contribute to the impoverishment of individual groups.

The most important actions against poverty are those policies that trigger economic growth. Yet growth alone will not eliminate poverty, though without growth poverty will never be alleviated and will be certain to increase. And much poverty is beyond the government's ability to alleviate, such as that poverty caused by personal decisions leading to illegitimacy, divorce, or dropping out of school. As such, Americans must be realistic about their government's ability to deal with poverty. Realistic data must be used. Realistic goals must be set.

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