

# Poverty in Wisconsin: Treading water after almost 10 years of recovery:

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# Overview

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The Wisconsin Poverty Measure

Findings in 2019 Wisconsin Poverty Report for 2017

Where do we go from here?

Summing Up

# Brief History of the Wisconsin Poverty Measure (WPM)

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- 1960s Official Poverty Measure created
- 1995 National Academy of Sciences report calls for alternative, updated poverty measure
- 1999 IRP conference, "Poverty: Improving the Definition after Thirty Years", some progress
- 2007 More than a decade of stalled action at federal level led to emergence of city and state poverty measures (New York City)
- 2010 First Wisconsin Poverty Report and WPM for 2008 income year
- 2011 First release of federal Supplemental Poverty Measure (SPM) under Rebecca Blank, US Secretary of Commerce
- 2018 Supplemental Report on Poverty, Incomes and Race in Wisconsin in 2016
- 2019 Eleventh Annual Report for 2017 income year

# Three Different Measures in the WPM reports

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## MIP: Market-Income Poverty

Poverty before taxes and transfers – *represents private income only*, earnings, income from investments, private pensions, private transfers like child support

## OPM: Official Poverty Measure

Poverty counts MIP *plus all cash income including cash transfers*, but no taxes are taken out

## WPM: Wisconsin Poverty Measure

Cash *plus noncash benefits*, net of direct state and federal income and payroll taxes, plus refundable tax credits, minus work-related expenses and medical care expenses

# How WPM differs from the OPM – Need

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How is the economic need (threshold) determined?

Official Measure	<p>Official poverty line</p> <ul style="list-style-type: none"><li>• Developed in 1960s, based on food costs and expected share for food budget</li><li>• Since that time adjusted for prices only</li></ul>
Wisconsin Measure	<p>SPM-like expense poverty line</p> <ul style="list-style-type: none"><li>• Basic expenses food, clothing, shelter, utilities for low-income families averaged over 5 years</li><li>• Adjusted for Wisconsin cost of living, housing tenure, regional prices, and out of pocket medical expenses</li></ul>

# Poverty Thresholds in 2017

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- The *OPM line* was \$25,094 in 2017; it is the same all over the nation, ignoring regional housing or other living cost differences
- The *national SPM poverty line* was \$29,380 in 2017; SPM serves as the basis for the WPM and is tied to 5-year average U.S. expenditures on food, clothing, and shelter
- The *Wisconsin WPM line* was \$27,241 in 2017; about 92% of the national SPM for a family of four, due to lower cost of living in Wisconsin compared to the nation as a whole

# How the WPM differs from the OPM – Resources

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## What counts as income?

Official Measure	<p>Cash income (pre-tax)</p> <ul style="list-style-type: none"><li>• Includes only cash government benefits like social security, and unemployment insurance</li><li>• No taxes</li></ul>
Wisconsin Measure	<p>Comprehensive Family Resources Cash income as with Official Measure, and then</p> <ul style="list-style-type: none"><li>-/+ Taxes &amp; tax credits (Earned Income Tax Credit)</li><li>+ Non-cash benefits (Food Share/SNAP; rental vouchers)</li><li>- Work-related expenses (transportation, childcare)</li></ul>

# How the WPM differs from the OPM - Family

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## Who is included in the family unit?

Official Measure	<p>Census “family” unit</p> <ul style="list-style-type: none"><li>• Married or not; must be related by blood, marriage or adoption</li><li>• Unmarried partners treated as single people</li></ul>
Wisconsin Measure	<p>Expanded poverty unit</p> <ul style="list-style-type: none"><li>• Census family + unmarried partners as couples</li><li>• Also includes foster children</li><li>• Removes college students living off campus who do not work</li></ul>



# WPM is Focused on Poverty in Wisconsin

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- Public use data from the American Community Survey
- Poverty thresholds adjusted for Wisconsin cost of living
- Tax model includes federal and Wisconsin income tax laws and payroll taxes
- Use WI state administrative data and eligibility to estimate SNAP benefits, housing assistance, and energy assistance
- Child care and work expenses based on federal data
- Medical cost expenses based on regional estimates

# Findings

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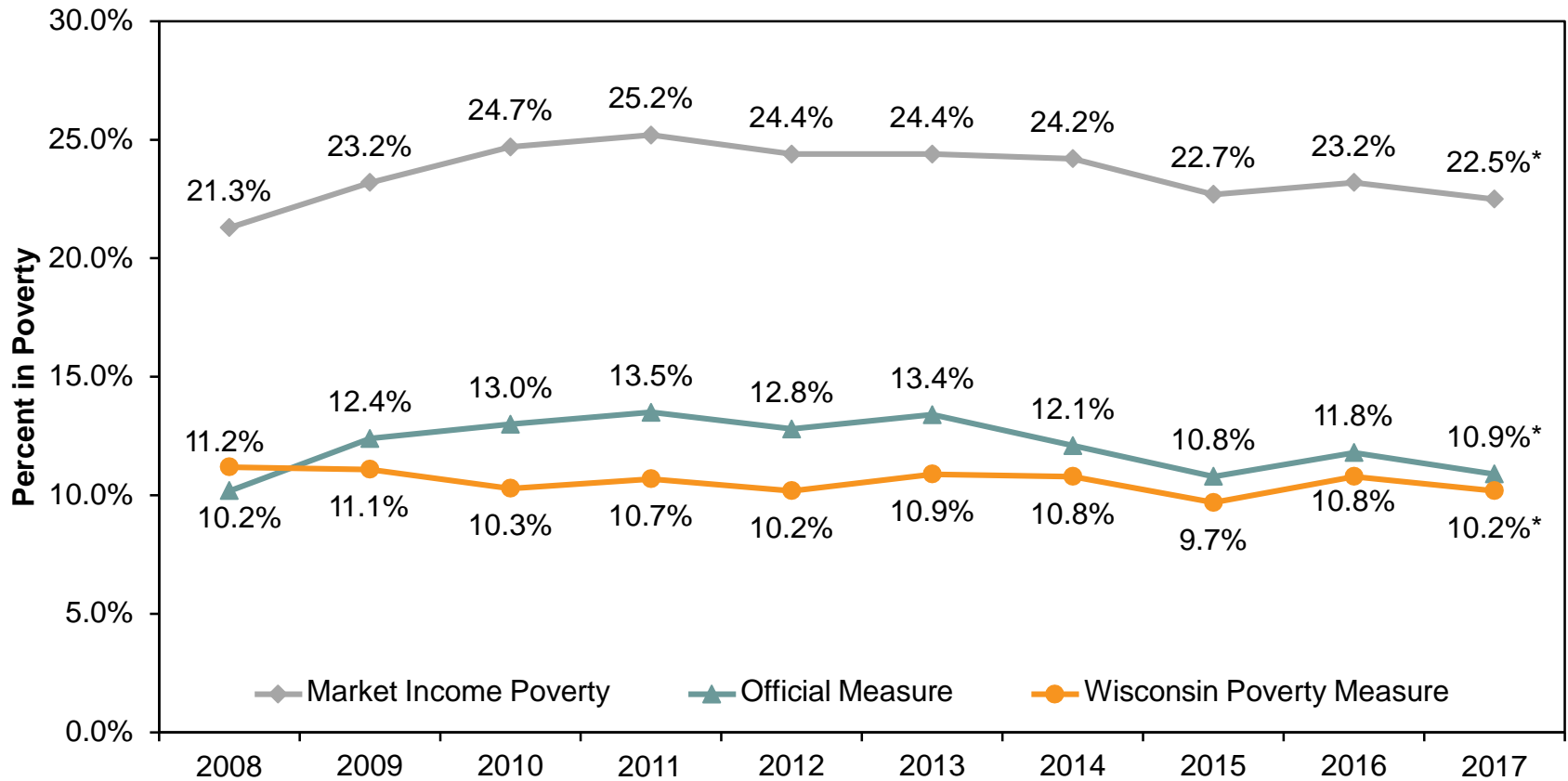
# Treading water in Wisconsin : a WPM summary chart

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Poverty remains at the same levels as in the immediate recovery from the Great Recession, despite an improving economy.



# Wisconsin Poverty Rates Three Measures, 2008–2017



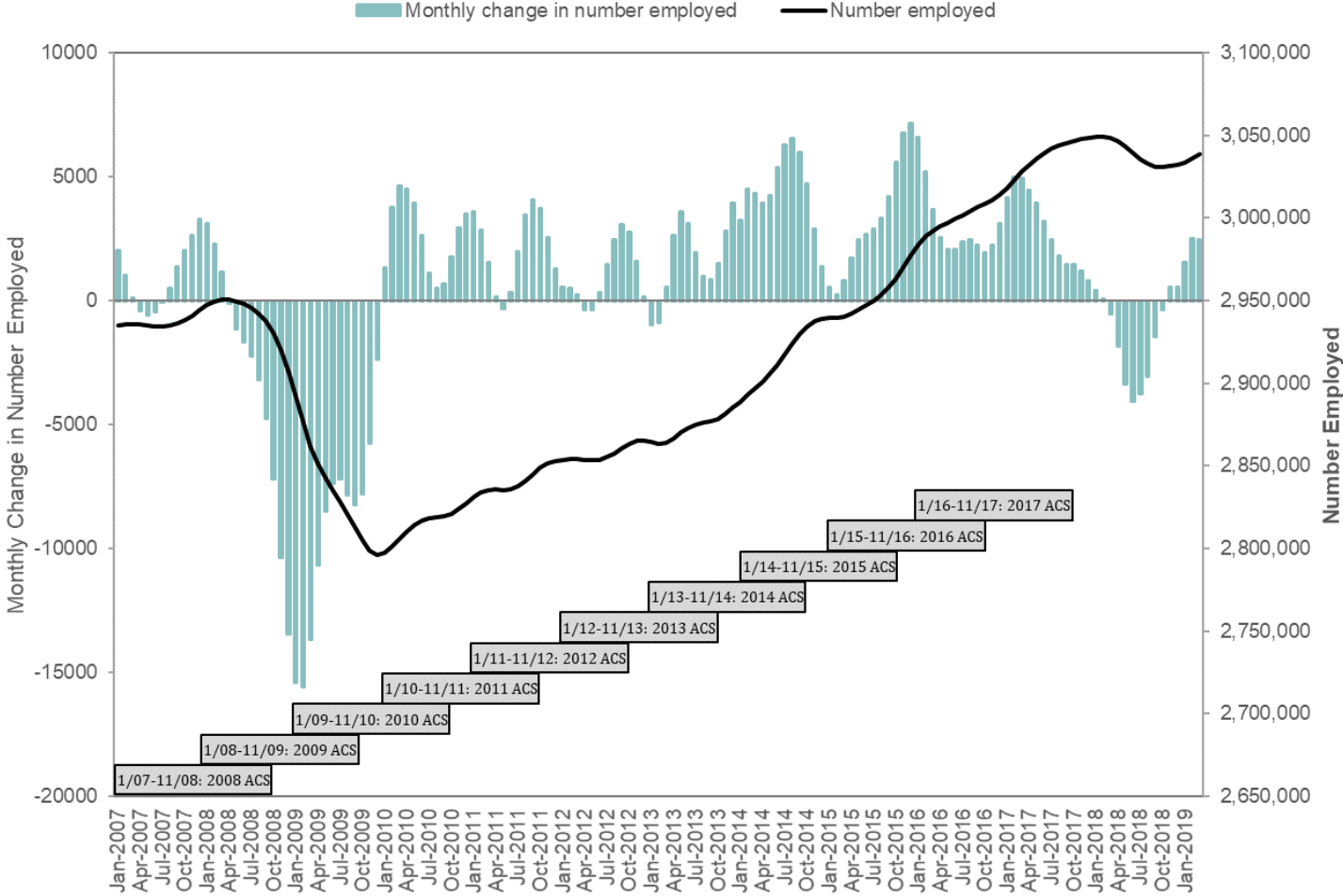
\* Difference from 2016 statistically significant at 95% confidence interval

# Role of the economy

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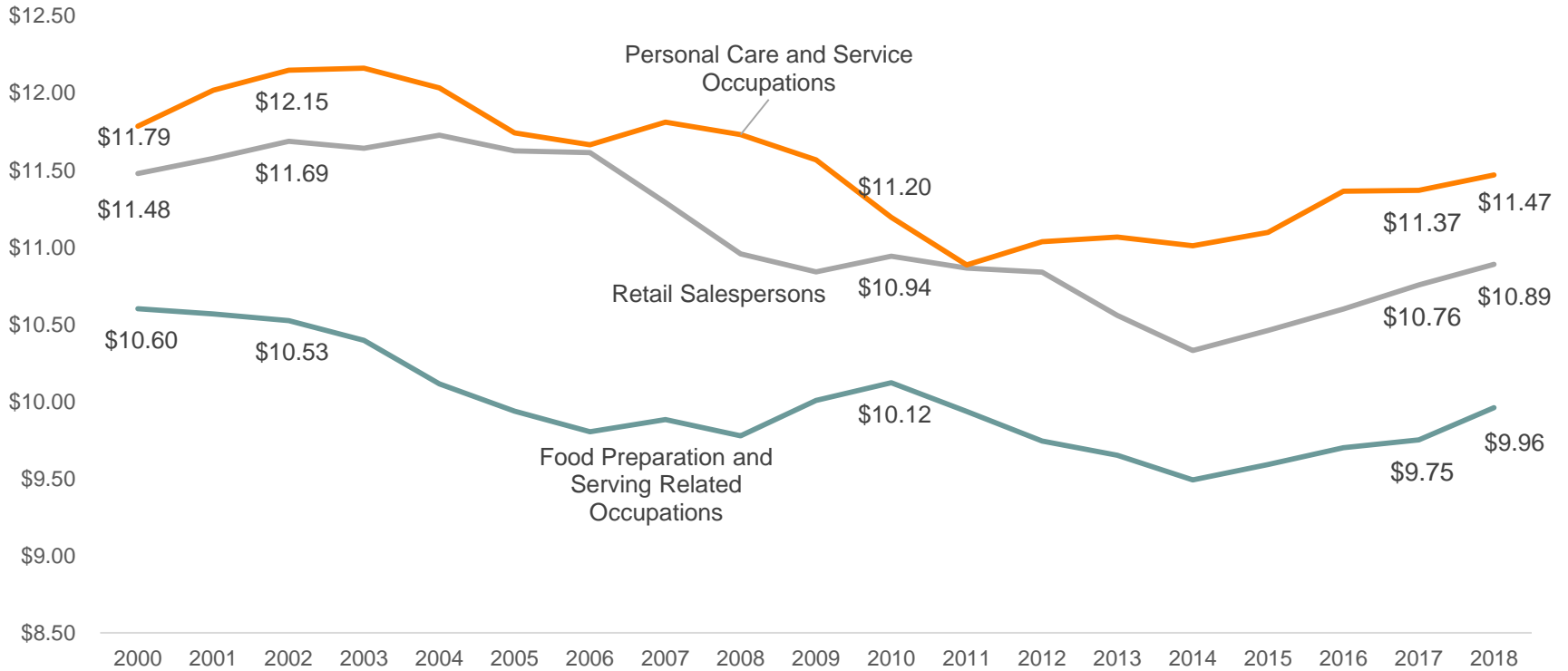
- Wisconsin unemployment low, but...
  - Jobs gains slowing
  - Real wages in low skill jobs flat
  - Work in low wage sector is unstable and rarely 9-5 or full time, full year work

# Number of Individuals Employed (private non-farm) and Monthly Job Gains/Losses



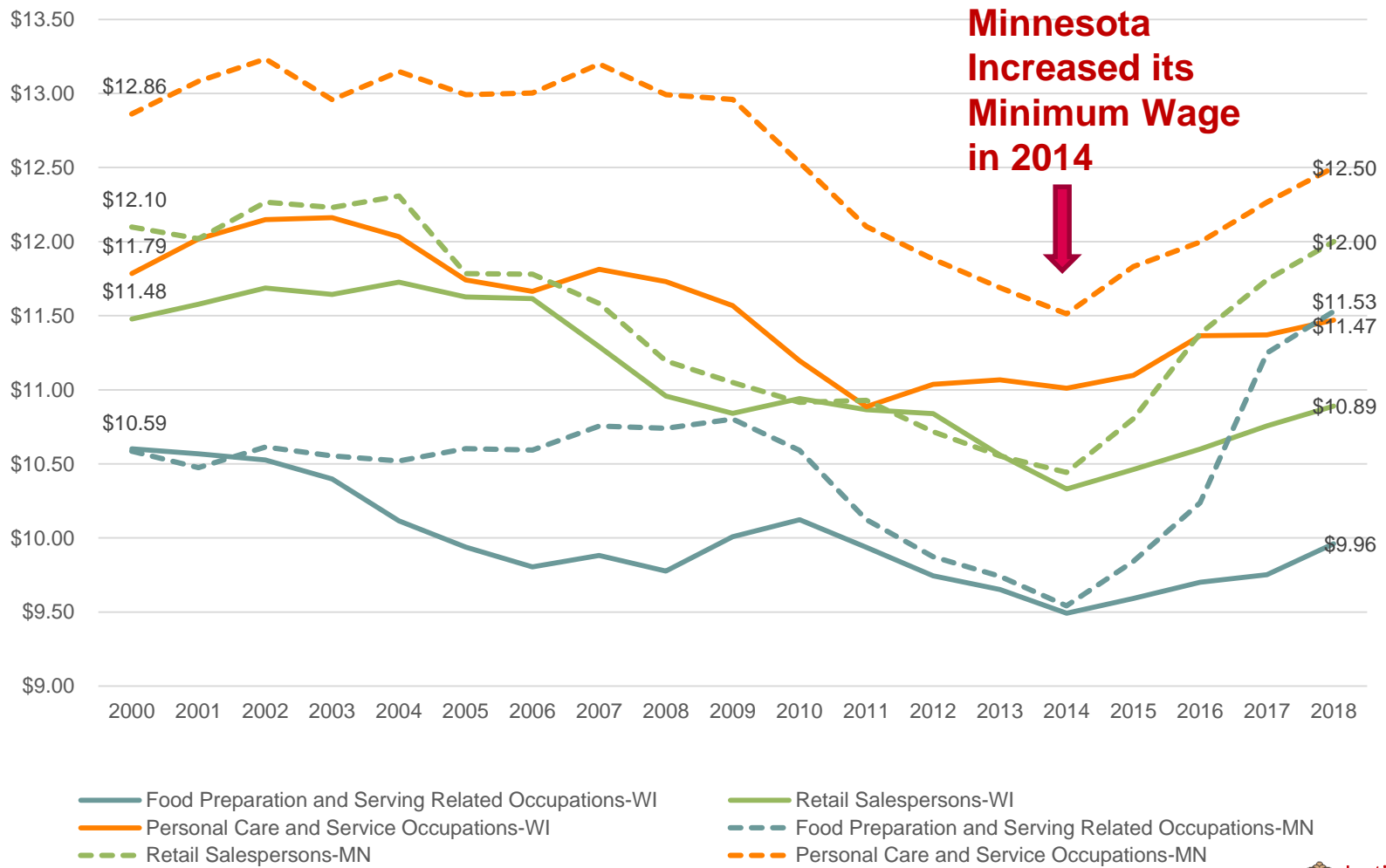
Solid line is seasonally adjusted employment change

# Median Real Wages in Low-Wage Service Jobs in Wisconsin 2000-2018



Source: Occupational Labor Statistics data, Bureau of Labor Statistics 2010-2018. Adjusted for Inflation using the CPI-URS

# Median Real Wages in Low-Wage Service Jobs in Wisconsin & Minnesota 2000-2018



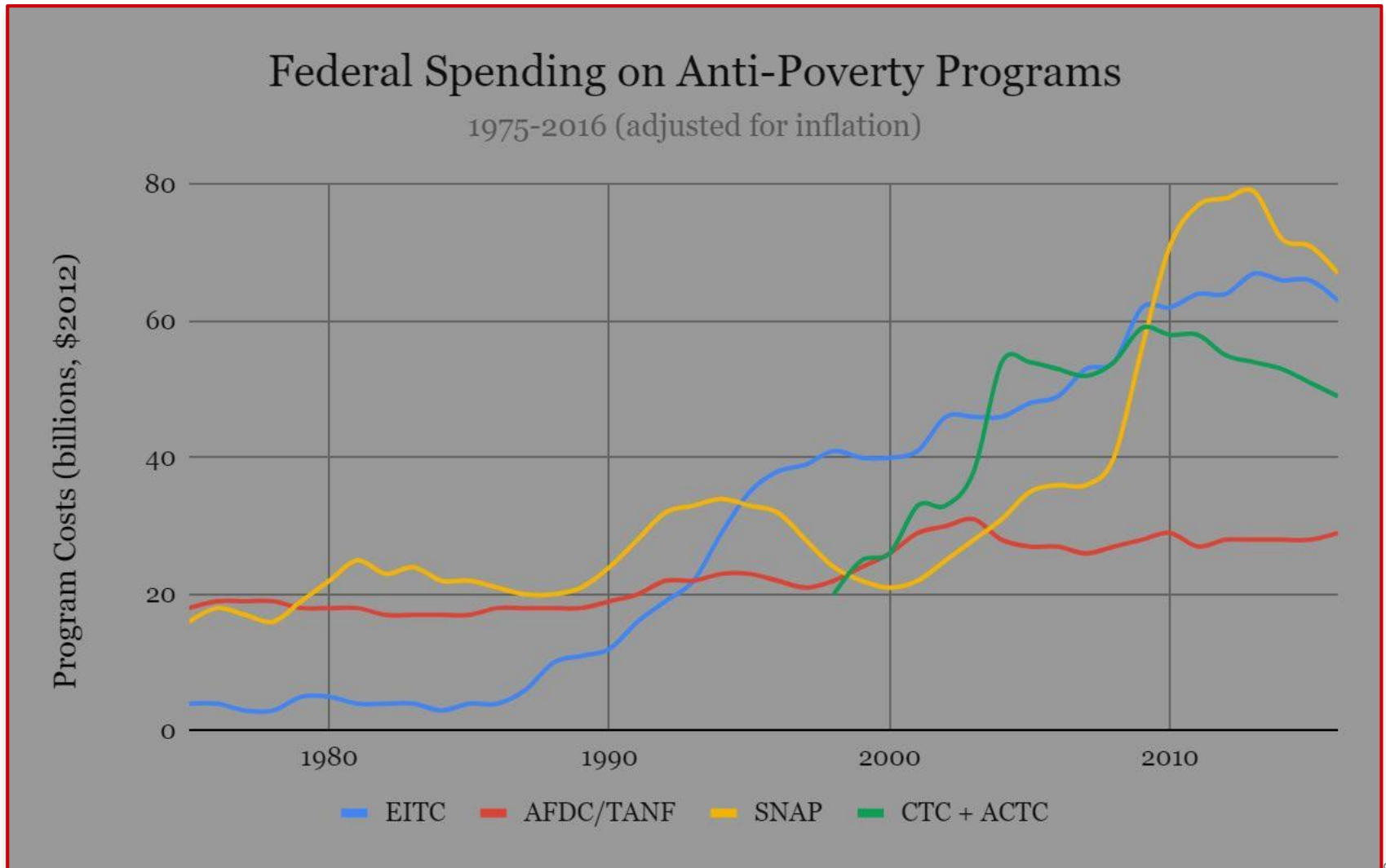


# Income supports and work supports

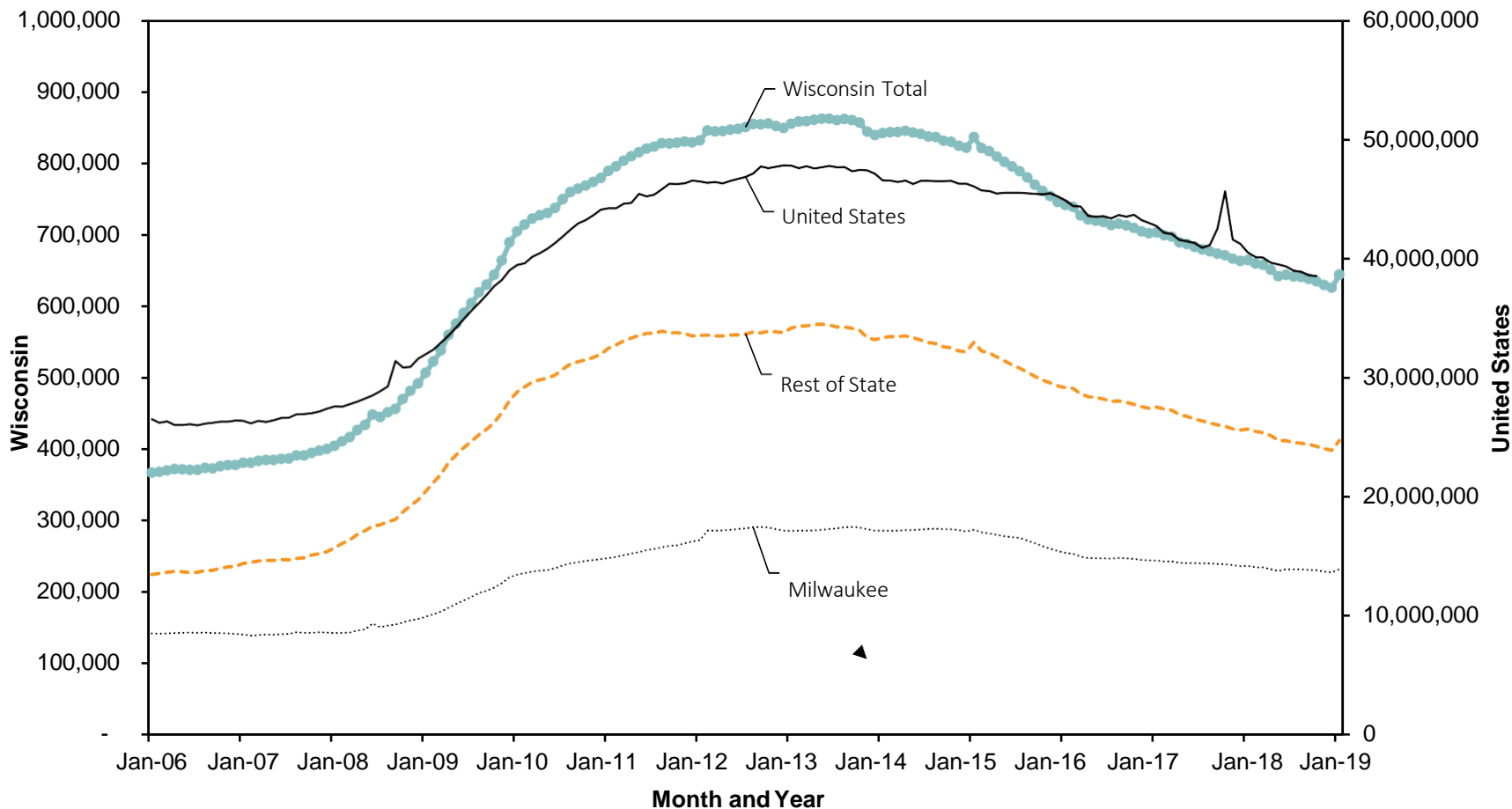
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- The United States and Wisconsin fight poverty with two main sets of targeted transfer programs:
  1. Nutrition programs: SNAP, school lunch
  2. Refundable tax credits: federal and state Earned Income Tax Credits (EITC), Child Tax Credits (CTC) and the “Additional” CTC
- Child care subsidies (*Wisconsin Shares*) and medical insurance coverage (*BadgerCare*) also help reduce poverty

# How funding for safety net programs in the U.S. have changed – a case for WPM



# Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2018



Source: US and Wisconsin Administrative Program Data

# Highlights: Wisconsin in 2017

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## Jobs in Wisconsin grew from 2012 to 2017, but

- Just returned to March 2008 jobs peak in March 2015
- Real wages in low skill jobs are flat

## Safety net contracts --

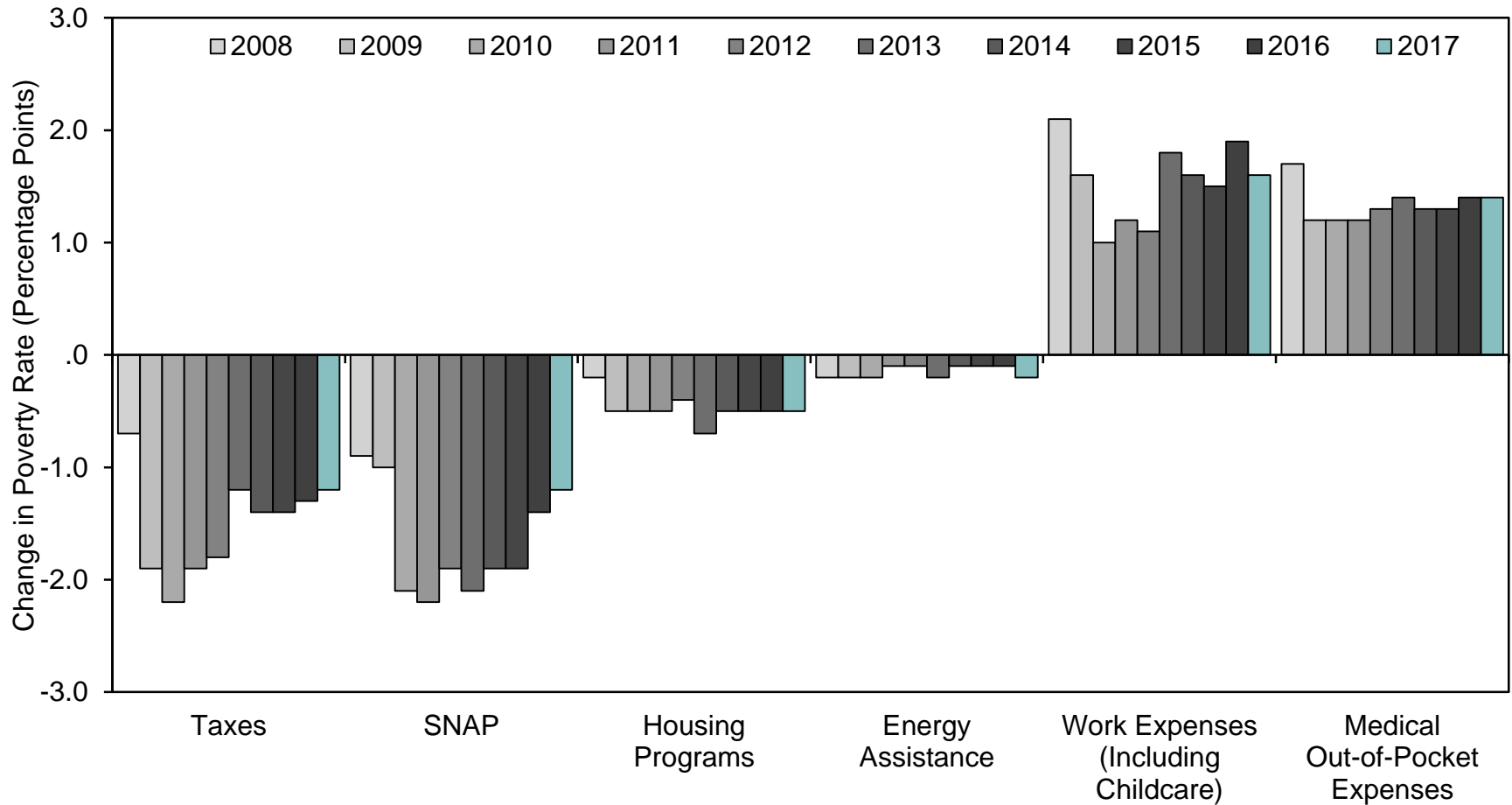
- SNAP (FoodShare) shrinks

## Higher out-of-pocket expenses, payroll taxes--

- Higher work expenses (more people w/jobs working more hours)
- Everyone pays Social Security payroll taxes
- Medical expenses continue to rise

# Taxes, Public Benefits, and Expenses

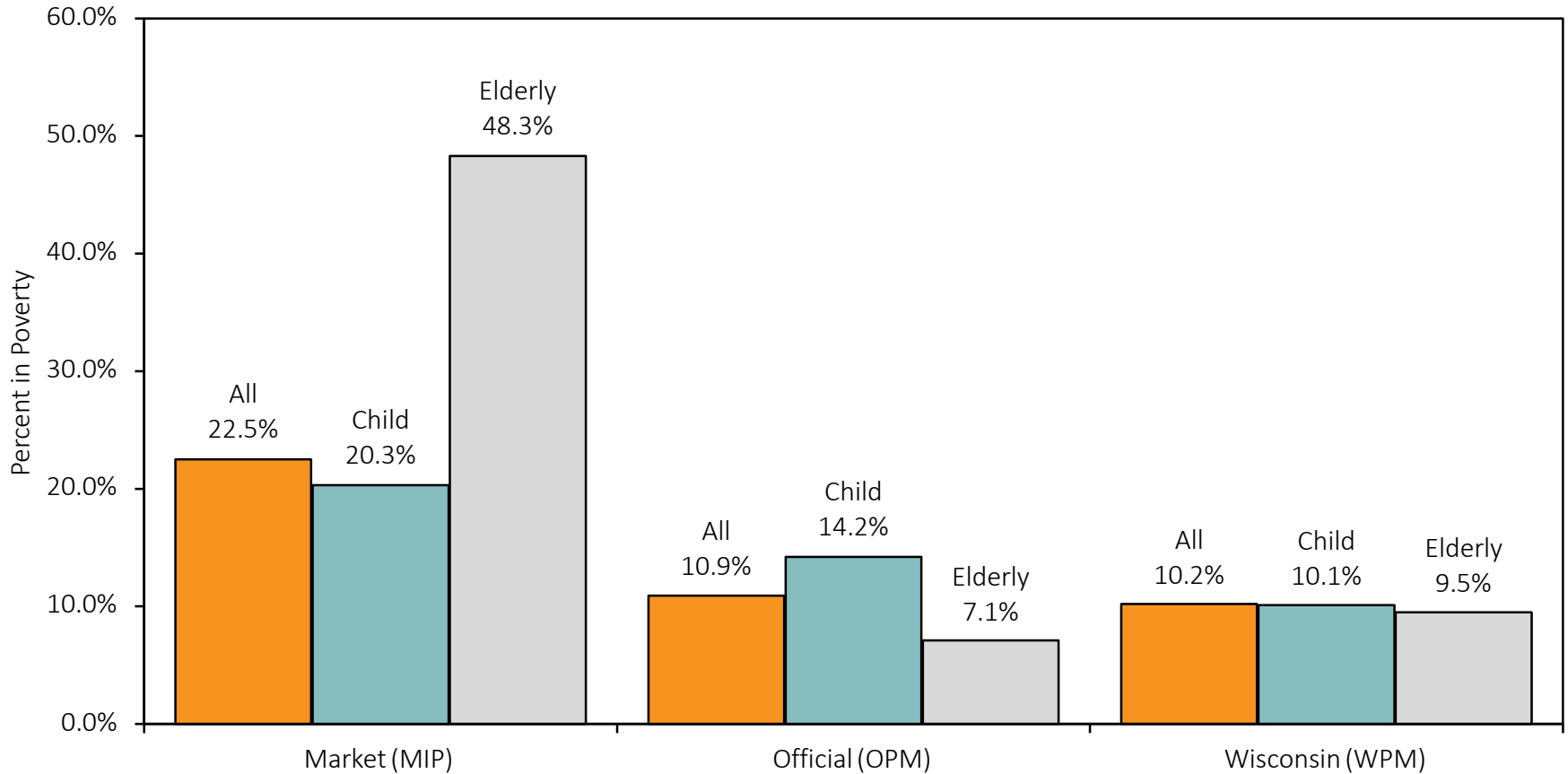
## Effects on *Overall* Poverty in Wisconsin, 2008–2017



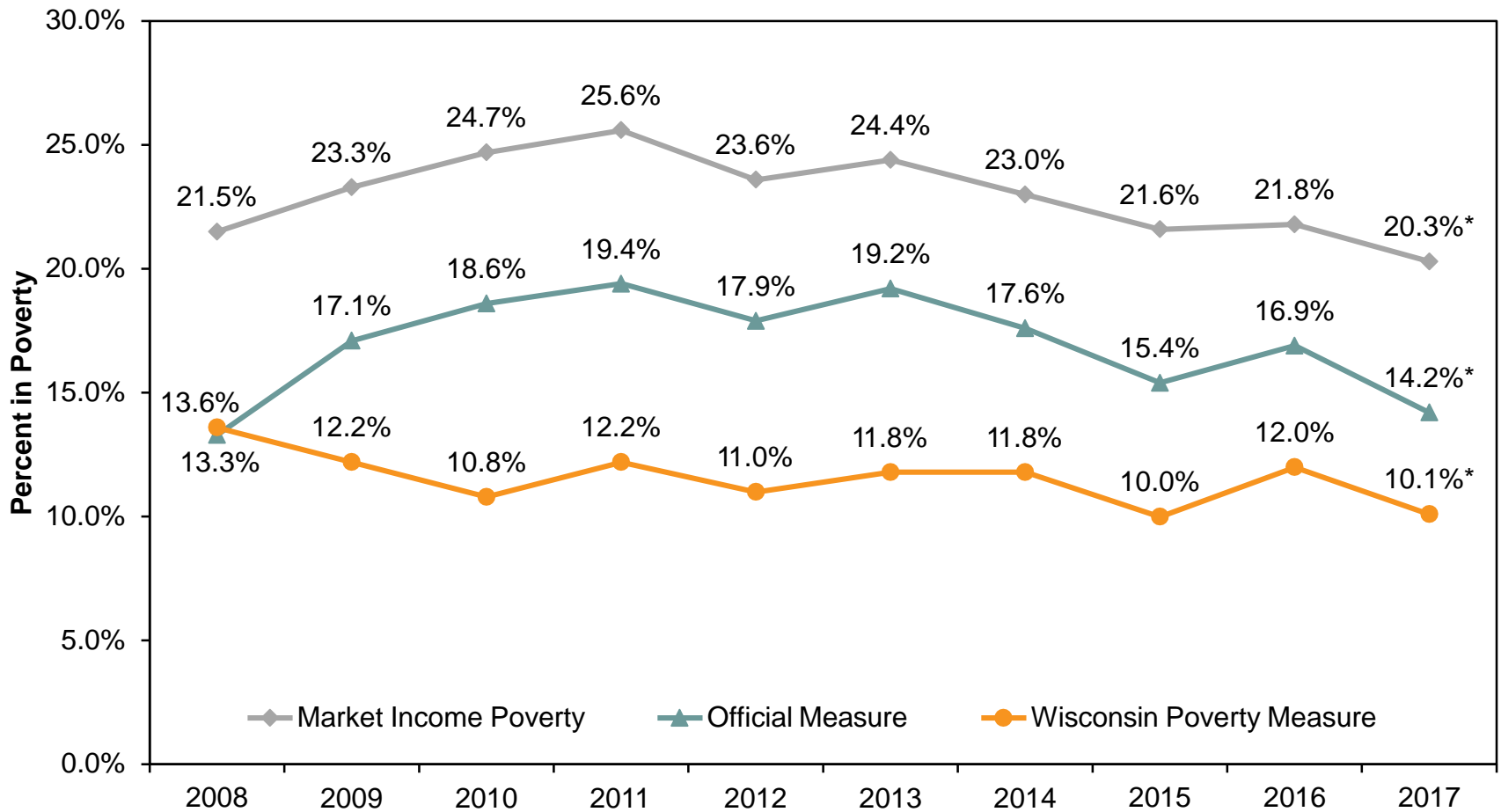
# What about kids and elders?

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# Overall, Child, and Elderly Poverty in Wisconsin in 2017



# Child Poverty Rates in Wisconsin Three Measures, 2008–2017

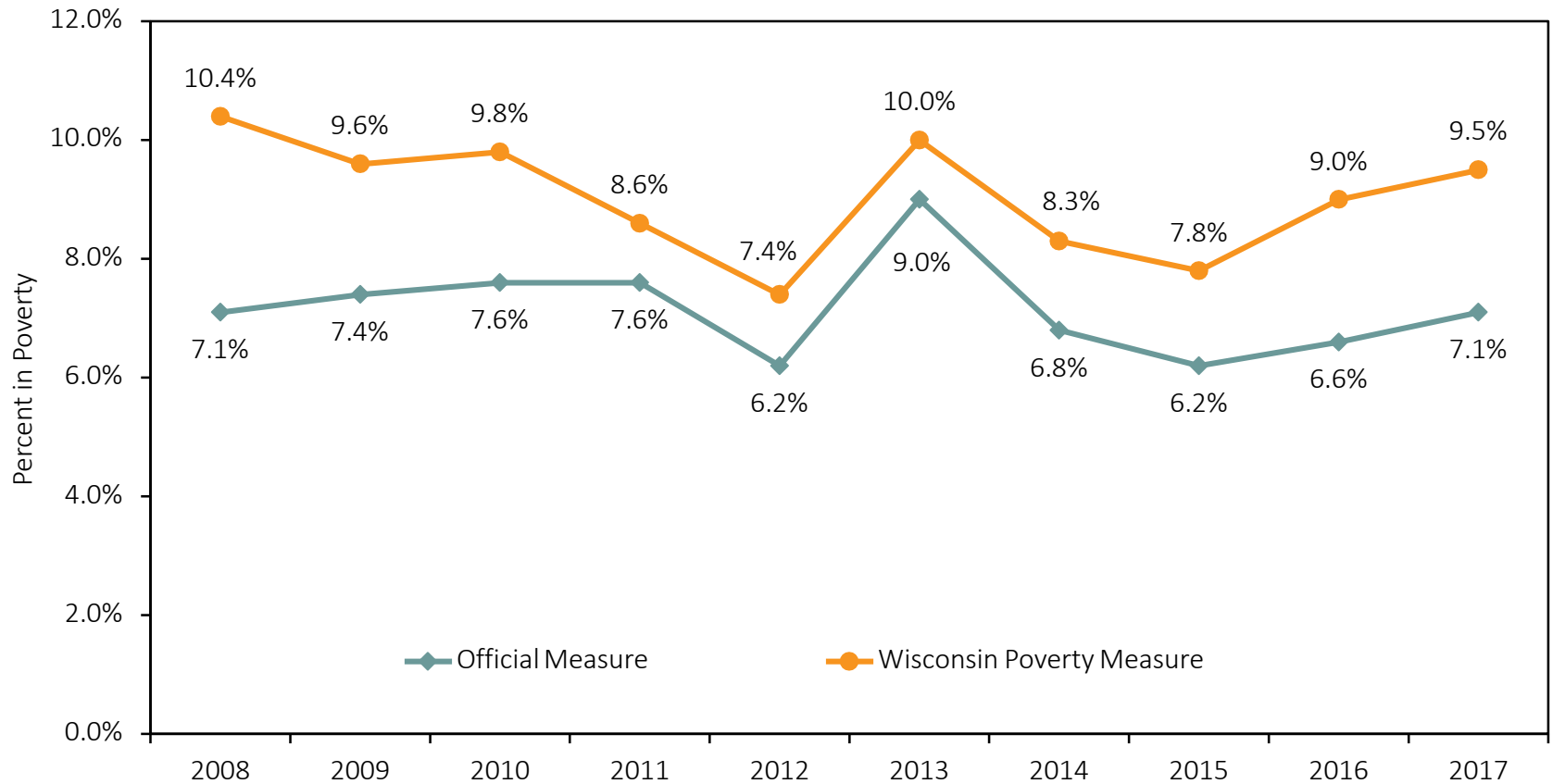


\* Difference from 2016 statistically significant at 95% confidence interval



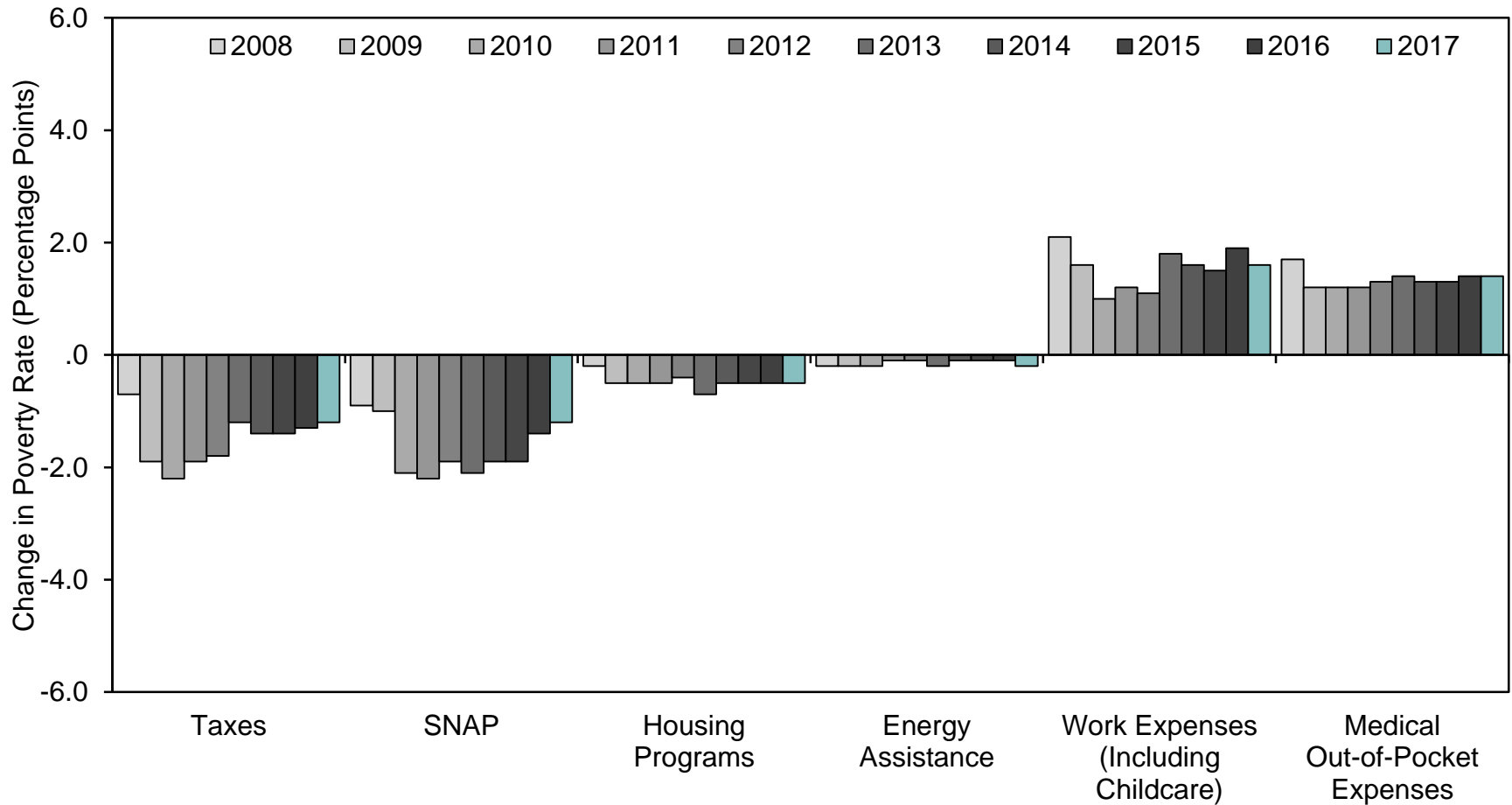
# Elderly Poverty Rates in Wisconsin

## Two Measures, 2008–2017



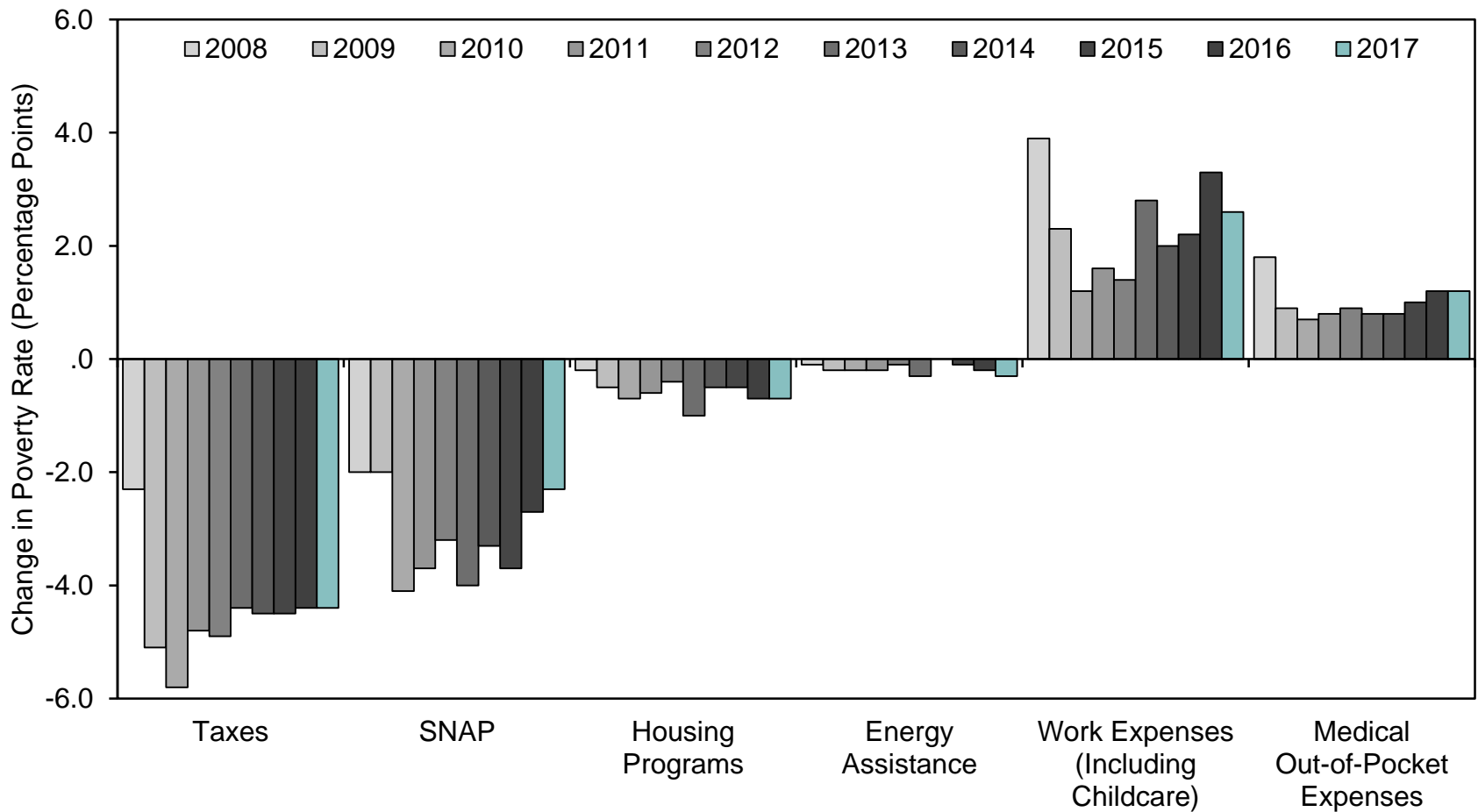
# Taxes, Public Benefits, and Expenses

## Effects on *Overall* Poverty in Wisconsin, 2008–2017



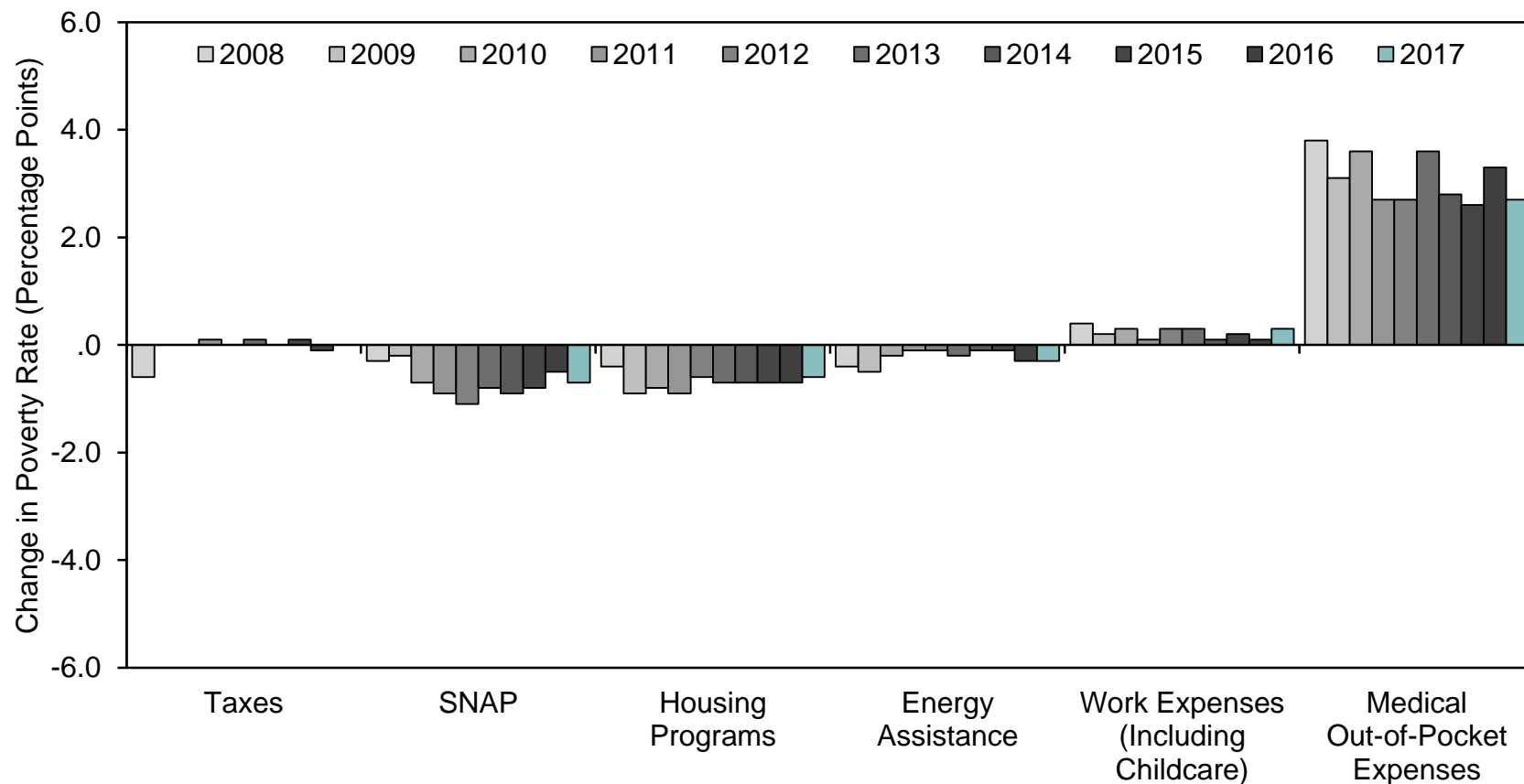
# Taxes, Public Benefits, and Expenses

## Effects on *Child* Poverty in Wisconsin, 2008–2017



# Taxes, Public Benefits, and Expenses

## Effects on *Elder* Poverty in Wisconsin, 2008–2017



# Highlights of Policy Effects in 2017

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Some policies are especially effective:

- SNAP and refundable tax credits (EITC/CTC/ACTC) are the #1 poverty fighting programs overall
- Benefits are larger and more important for families with children, refundable tax credits are #1 for kids (SNAP was #2)
- Medical expenses for the aged dwarf all other noncash and tax related benefits

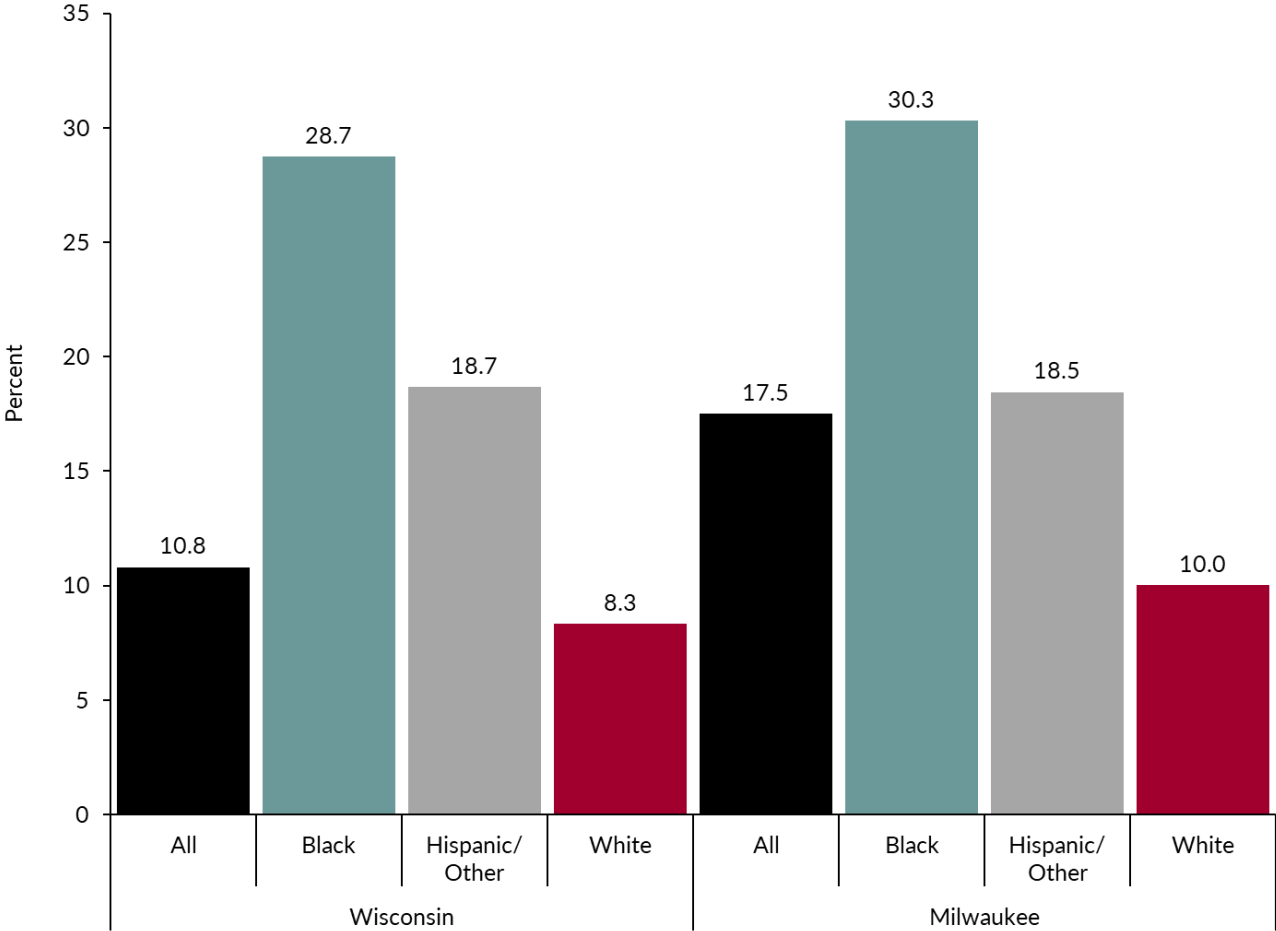
Effects of SNAP, refundable tax credits fell in 2017—and there was an especially big drop in SNAP effect for kids over last two years

# Highlights of policy effects in 2017, cont.

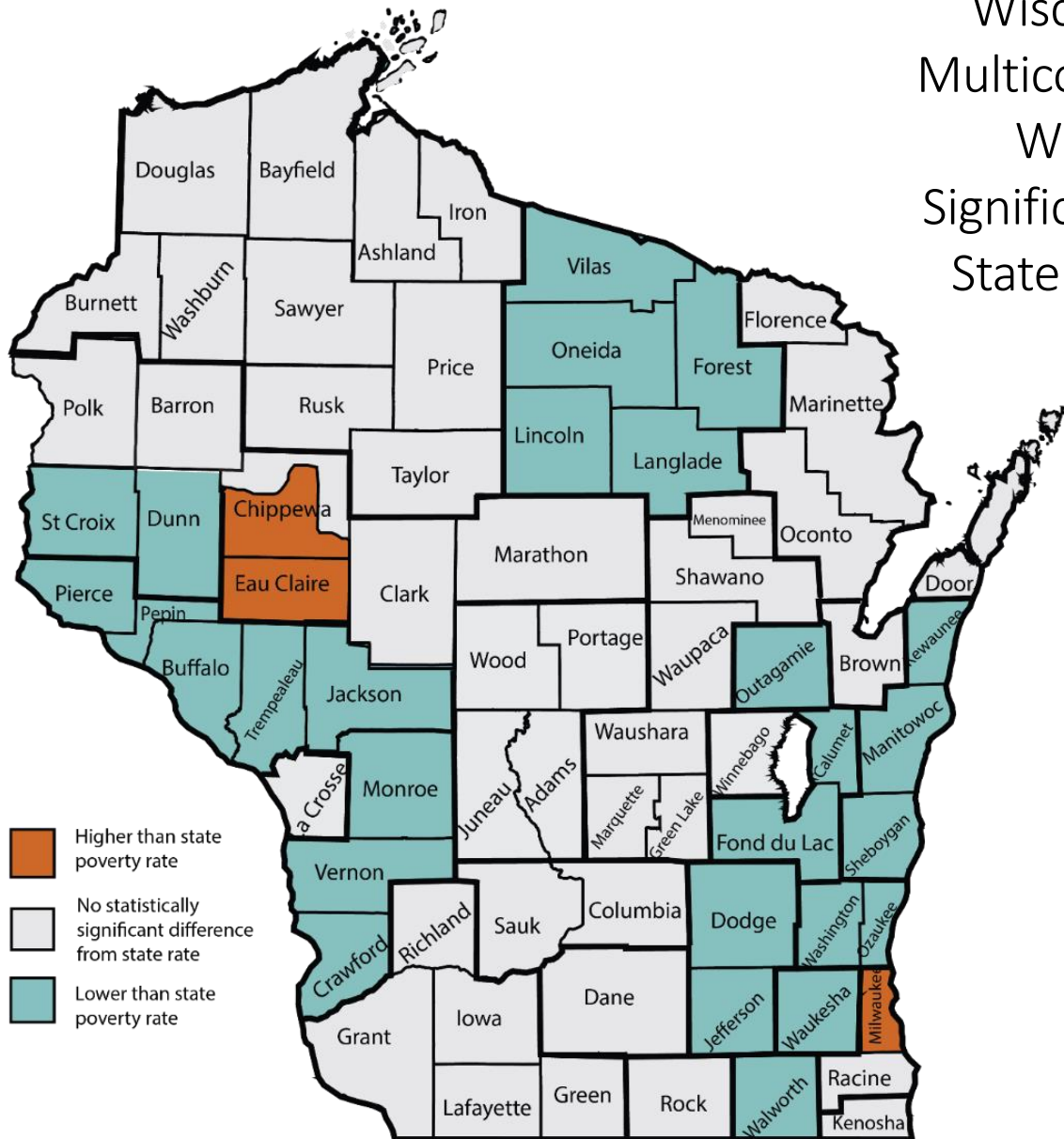
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- Work-related costs, especially child care, push up poverty for families with kids and increase with more work effort
- Medical expenses reduce money for meeting other basic needs, especially for the elderly; rising faster than overall prices and Social Security cost of living increases
- Housing benefits could be more effective if expanded, especially for families with kids.
- Effects of expenses on *overall* poverty about the same as those of benefits in 2017

# Poverty by Race/Ethnicity for the State and in Milwaukee County Using the WPM

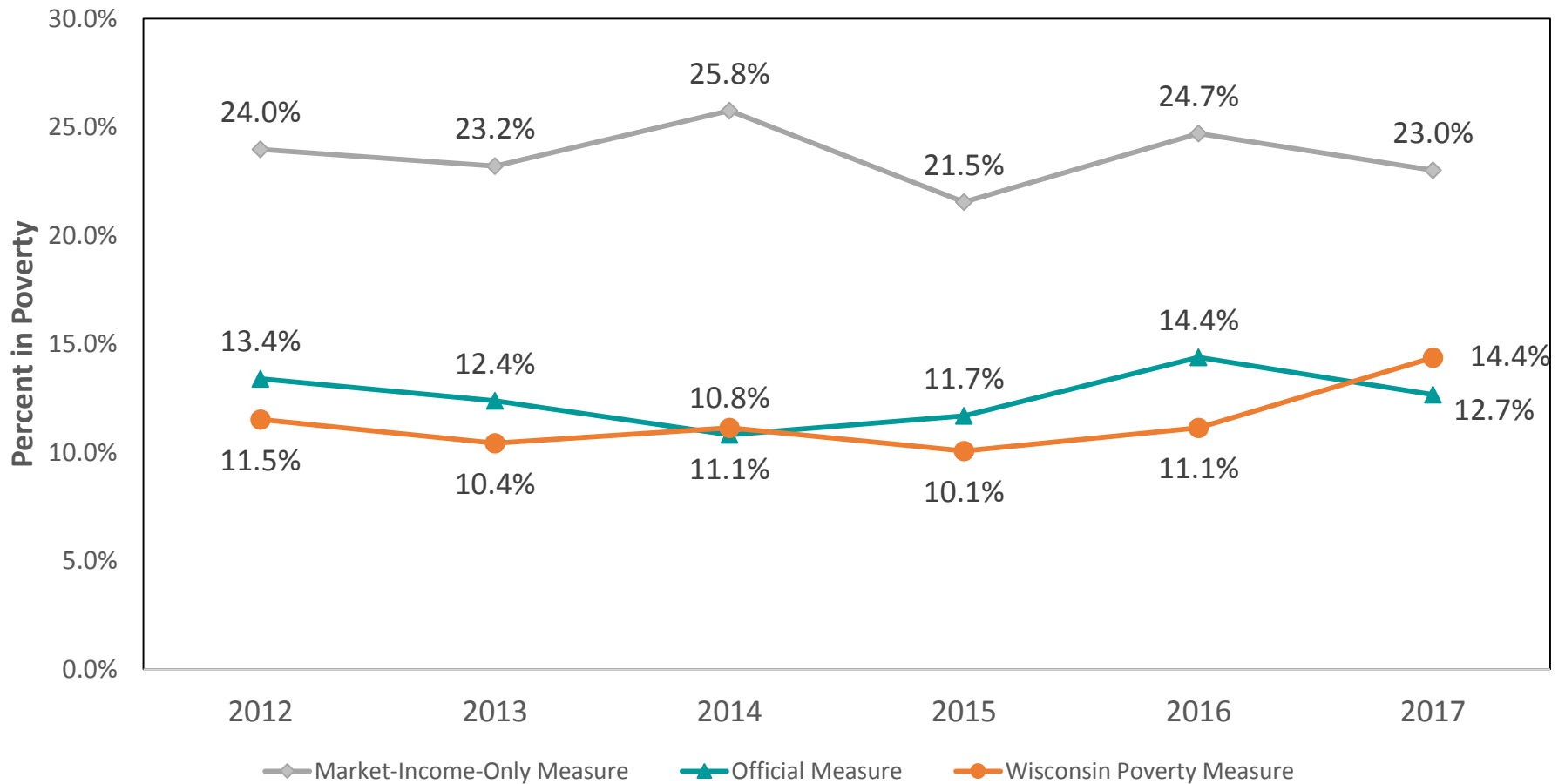


# Wisconsin Counties and Multicounty Areas with 2017 WPM Poverty Rates Significantly Above or Below State Rate of 10.2 Percent

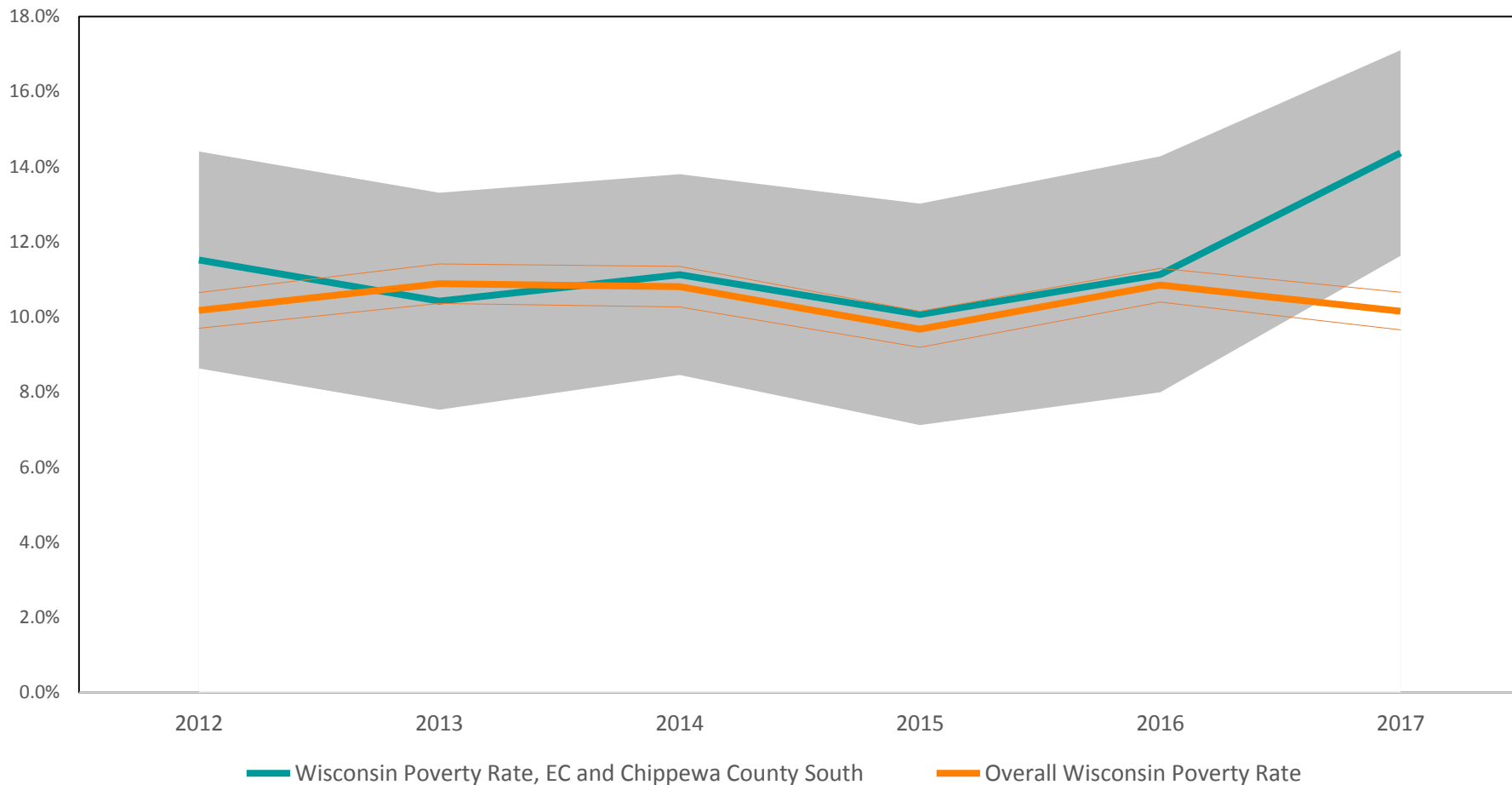




# Eau Claire and Chippewa (South) Poverty Rates: Three Measures, 2012–2017



# Eau Claire and Chippewa (South) WPR rate Upper and Lower Bounds Compared to Overall State Rate



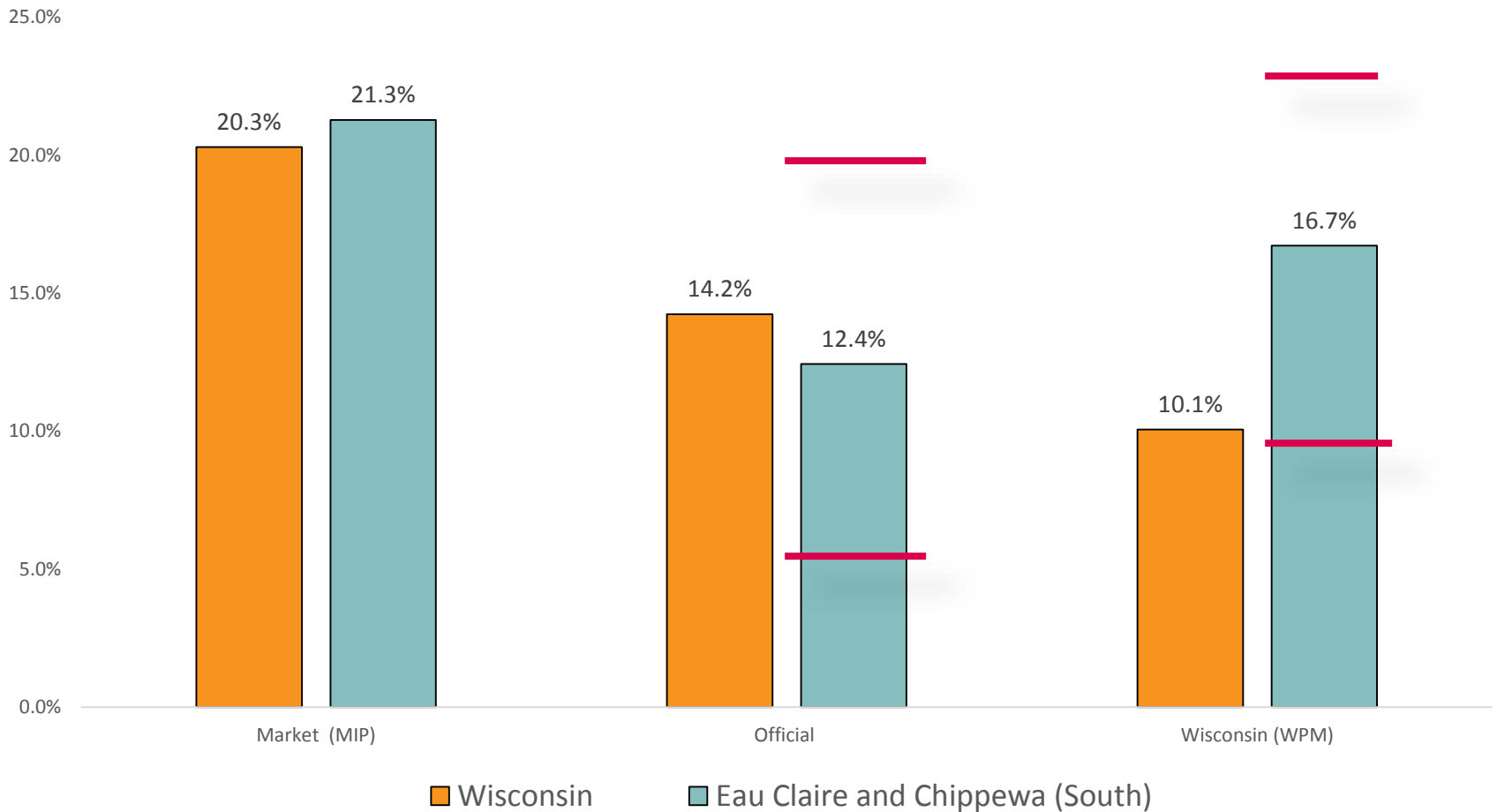
# *Elder* Poverty

## Eau Claire and Chippewa County (South)



# Child Poverty

## Eau Claire and Chippewa County (South)



# What do we see statewide 2012–2017?

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- Labor market performing better as nation and state recover, but low and falling real wages thwart progress in Wisconsin so little change in overall MIP
- Poverty reductions strongly reinforced by safety net 2011-2015, though shrinking a bit in 2016 and 2017
- Work-related costs and medical costs rising and offsetting benefits
- Bottom Line: treading water—not making real progress to reduce poverty

# Where do we go from here?

## Need for more and better work supports

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- The job market is not helping the poor as much as it could, despite greater work efforts on their part
- We could do more to increase **work support services** and therefore earnings:
  - **Employer led training, placement and apprenticeships especially for the hard-to-employ**, e.g., the formerly incarcerated
  - Transportation assistance to jobs
  - A **higher minimum wage**, e.g. to \$10.50 per hour in WI by 2021
  - **More and better child care options for families with children**
  - **Medicaid expansion** can help people take jobs without losing health insurance, also help reduce opioid use which keeps many single adults from work

# Where do we go from here?

## Income supports are needed too

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- Based on a recent NAS report on child poverty, work alone won't solve the poverty problem for parents and kids
- Income supports are also needed
  - an expanded state and federal EITC
  - more affordable housing
  - better coverage of out-of-pocket medical care costs, for low-income elders especially
  - Fully refundable federal child tax credits (CTC) paid monthly

# Summary and Conclusion

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- The WPM shows poverty is affected by both the economy and public policies
- The 8.5 year recovery from the Great Recession reflected in this report is not delivering enough for poor families and workers
- We are just treading water over the past few years
  - Job and earnings gains were important in 2017, but not enough
  - Benefits fell due to recovery and cutbacks/reductions in SNAP
  - Payroll taxes, work expenses, and out-of-pocket medical expenses all rose in 2017
  - Minorities across the state have higher poverty rates
- If we want to do better and break through to reduce poverty, we need to increase wages, work supports and income supports
- Evers has begun by cancelling mandatory workfare for SNAP families with youngest child of school age – “one small step—”



# UPDATE— September 10, 2019

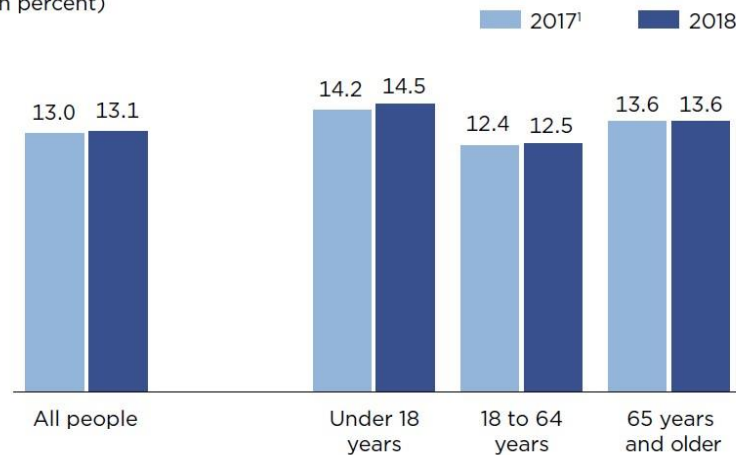
- Last month the US Census Bureau released their poverty estimates for 2018 , including the SPM

<https://www.census.gov/library/publications/2019/demo/p60-268.html>

•The results (right) look just like the WPM 2017 results *Treading Water* still, nationwide.

Supplemental Poverty Measure Rates for Total Population and by Age Group: 2017 and 2018

(In percent)



<sup>1</sup> The 2017 data reflect the implementation of an updated processing system. For more details, see appendix.

Note: For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar19.pdf>>.

Source: U.S. Census Bureau, Current Population Survey, 2018–2019 Annual Social and Economic Supplements.

# Where to find the WI Poverty Report?

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The 2019 WPR and Short Summary for 2017 are at:

<https://www.irp.wisc.edu/resource/wisonsn-poverty-report-2017/>

Additional information and technical reports on the WPR at:

<https://www.irp.wisc.edu/research/poverty-measurement>

A consumer's guide to interpreting various U.S. poverty measures

<https://www.irp.wisc.edu/publications/fastfocus/pdfs/FF14-2012.pdf>

POVERTY, INCOMES, RACE AND ETHNICITY IN WISCONSIN AND MILWAUKEE:  
A SUPPLEMENT TO THE 2018 WISCONSIN POVERTY REPORT

<https://www.irp.wisc.edu/wp/wp-content/uploads/2018/09/Supplement-WIPovRept-September2018.pdf>

# Q & A

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Thanks and happy to take questions now  
or by email

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