

The Wisconsin Poverty Measure (WPM)

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for the session

**State- and Local-Level Best Practices and
Challenges in Poverty Measurement and
Implications for Policy**

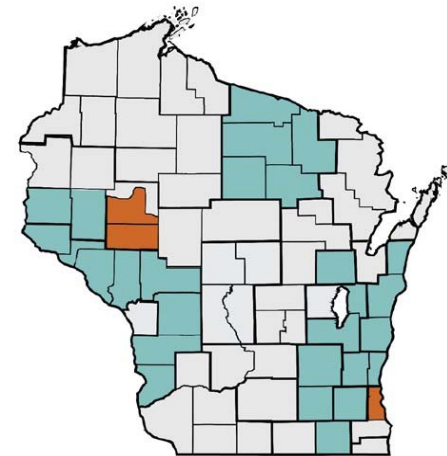
and the conference

***A Dialogue on Measuring and Reducing Child
Poverty***

NAS March 13th, 2020

Wisconsin Poverty Report: Treading Water in 2017

The Eleventh Annual Report of the Wisconsin Poverty Project



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Outline

A. The WPM

- What is the Wisconsin Poverty Measure and why do researchers and policy analyst like it ? What does it do well ?

B. Now what's next for WPM ?

- What are some of the yet to be explored options for improving the WPM in Wisconsin?

C. Improving the SPM itself

- What are some of the yet to be explored options for improving the SPM and also the WPM ?

A. Overview of the WPM and the Wisconsin Poverty Report (WPR)

- **2019 was the 11th year of the WPR and WPM***
- **Built as a precursor to the SPM**
- **Goals:**
 - **inform policymakers and others of the extent and location of poverty in Wisconsin**
 - **identify programs and policies proven to work best in helping families escape poverty in our state**
 - **identify what public policies might be most effective in reducing poverty in our state**

* The whole WPR and the one page summary are available [here](#) .
(The one page summary is also in the Addenda at the end of the presentation)

Two Methods of Poverty Measurement: An Overview

Official Measure OPM

SPM/WPM Poverty Measure

Threshold (Economic need)

Official poverty line
Developed in 1960s, based on
food costs and expected share
for food budget, since that time
adjusted for prices

NAS -Like Poverty Line

Basic expenses food, clothing, shelter,
utilities averaged over three years
Adjusted for regional cost of living,
housing tenure, & medical expenses

Resources

Cash income (pre-tax)
including only cash government
benefits like social security ,
workers comp., and
unemployment ins.

More Family Resources

Cash income as in left panel:
+/- Taxes & tax credits
+ Non-cash benefits (inc. Food
Stamps, public housing)
- MOOP & work related
expenses (including childcare)

Family considered

Census “family” unit

Expanded Poverty Unit

Census family + unmarried partner &
foster children; minus college students
who do not work

Three Different Measures in all the WPM reports

MIP: Market-Income Poverty*

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

OPM: Official Poverty Measure

Poverty counts earnings and 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, very similar to the SPM

*** Key for labor market self sufficiency—why doesn't Census use this concept !!**

Findings for kids

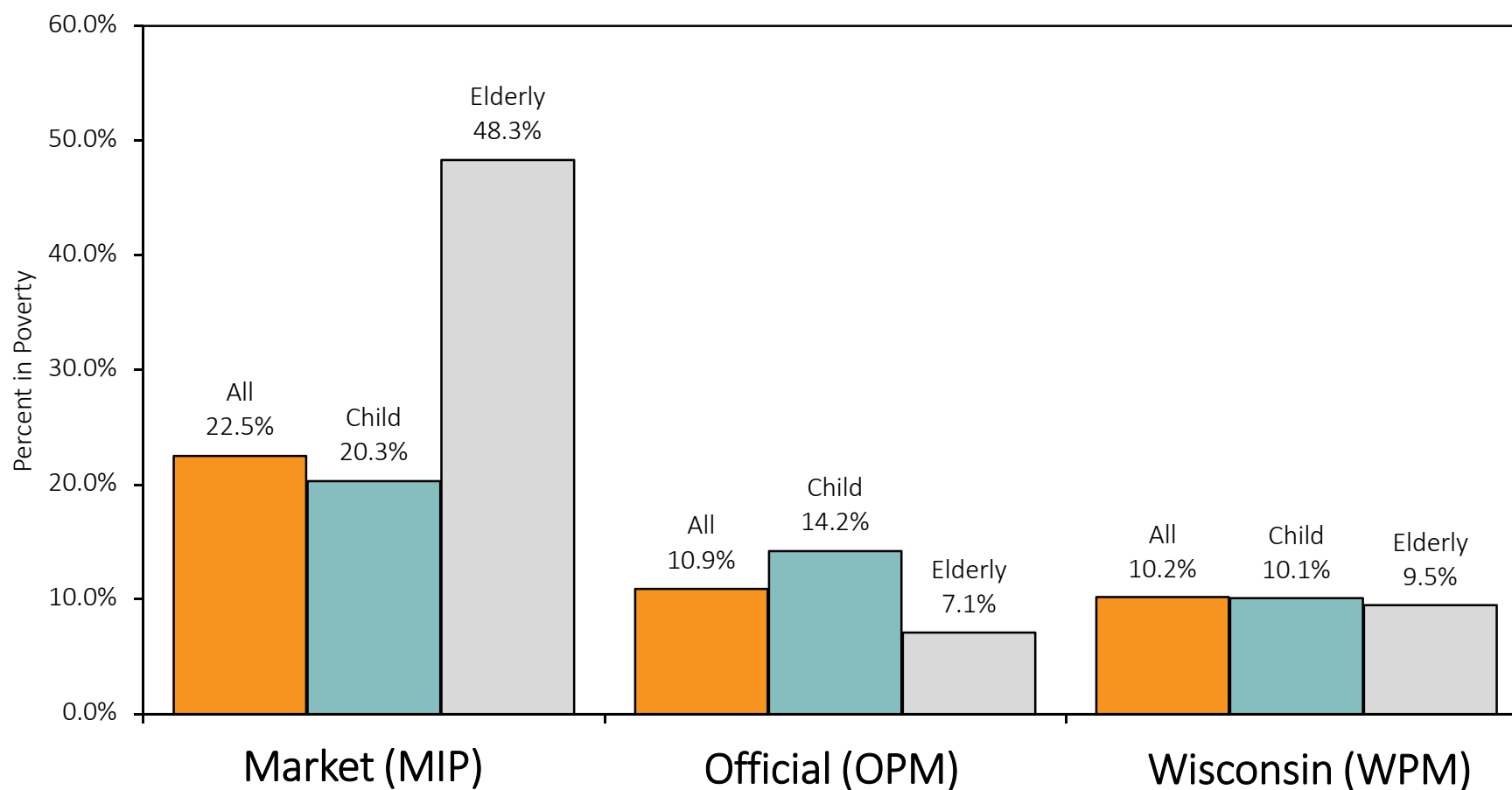
The economy, poverty, and public policies, 2008–2017

- Where are we in 2017? *
- How did poverty change, 2008 to 2017?
- What were the effects of the economy and public policies since the recession ?
- How about Milwaukee ?

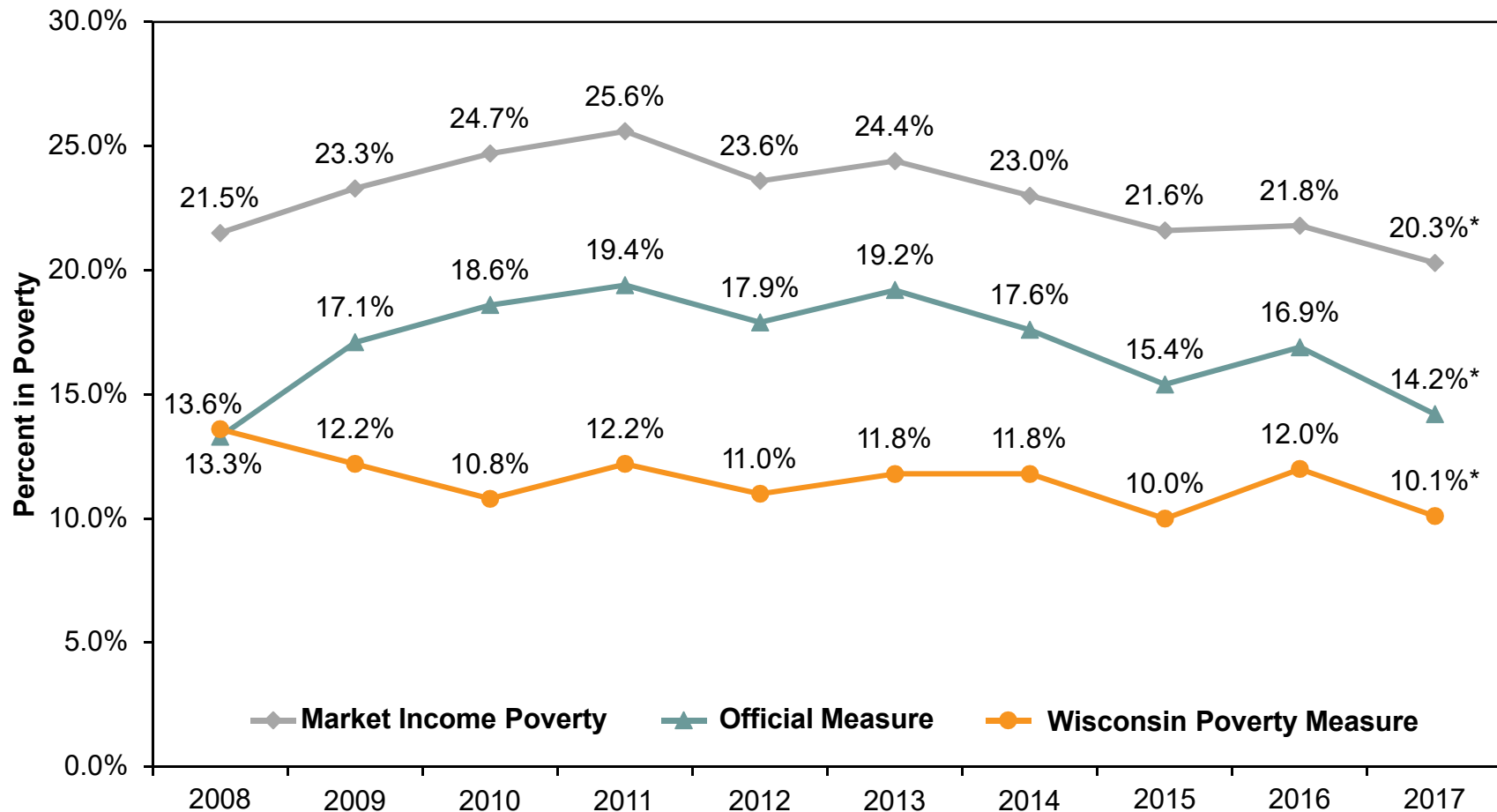
*Because of the way ACS collects data, “2017” covers the period January 2016 to November 2017. These are the latest data available—released at start of 2019 and captured in this report

Overall, Child, and Elderly Poverty in Wisconsin in 2017

Three different measures



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



* Difference from 2016 statistically significant at 95% confidence interval

Effects of Anti-Poverty Policies

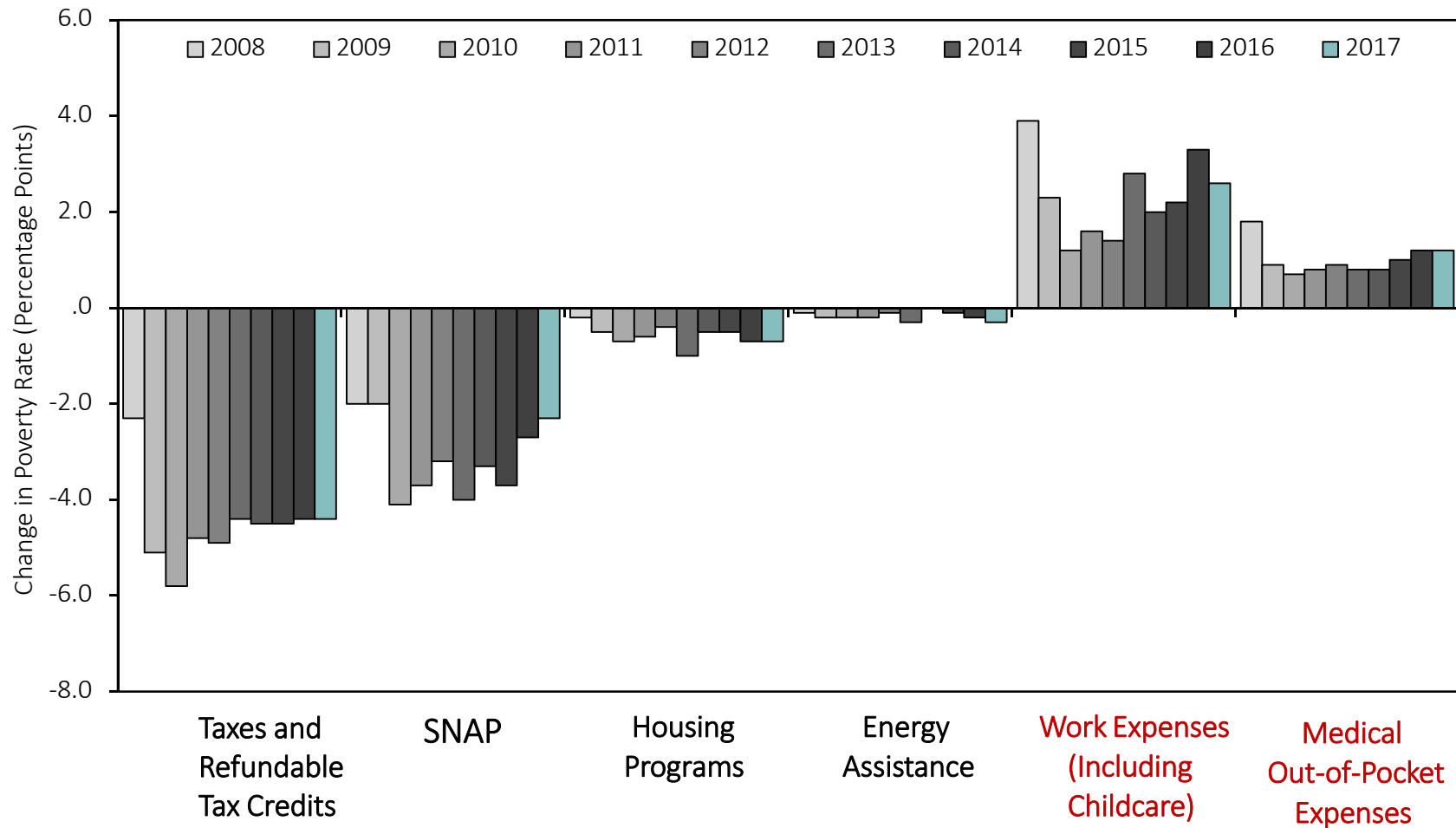
Noting that states administer most programs

WPM poverty is affected by **four policy-dependent levers** (in addition to earnings, which affect market poverty, MIP):

1. Refundable tax credits like the EITC (federal and state) and CTC/ACTC ; also income and payroll taxes paid
2. Noncash benefits like SNAP (food stamps/FoodShare), public housing, LIHEAP
3. Work-related expenses like child care, affected by child care programs, eg WI SHARES, and commuting costs
4. Out-of-pocket health care costs, affected by BadgerCare for children

Taxes, Public Benefits, and Expenses

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



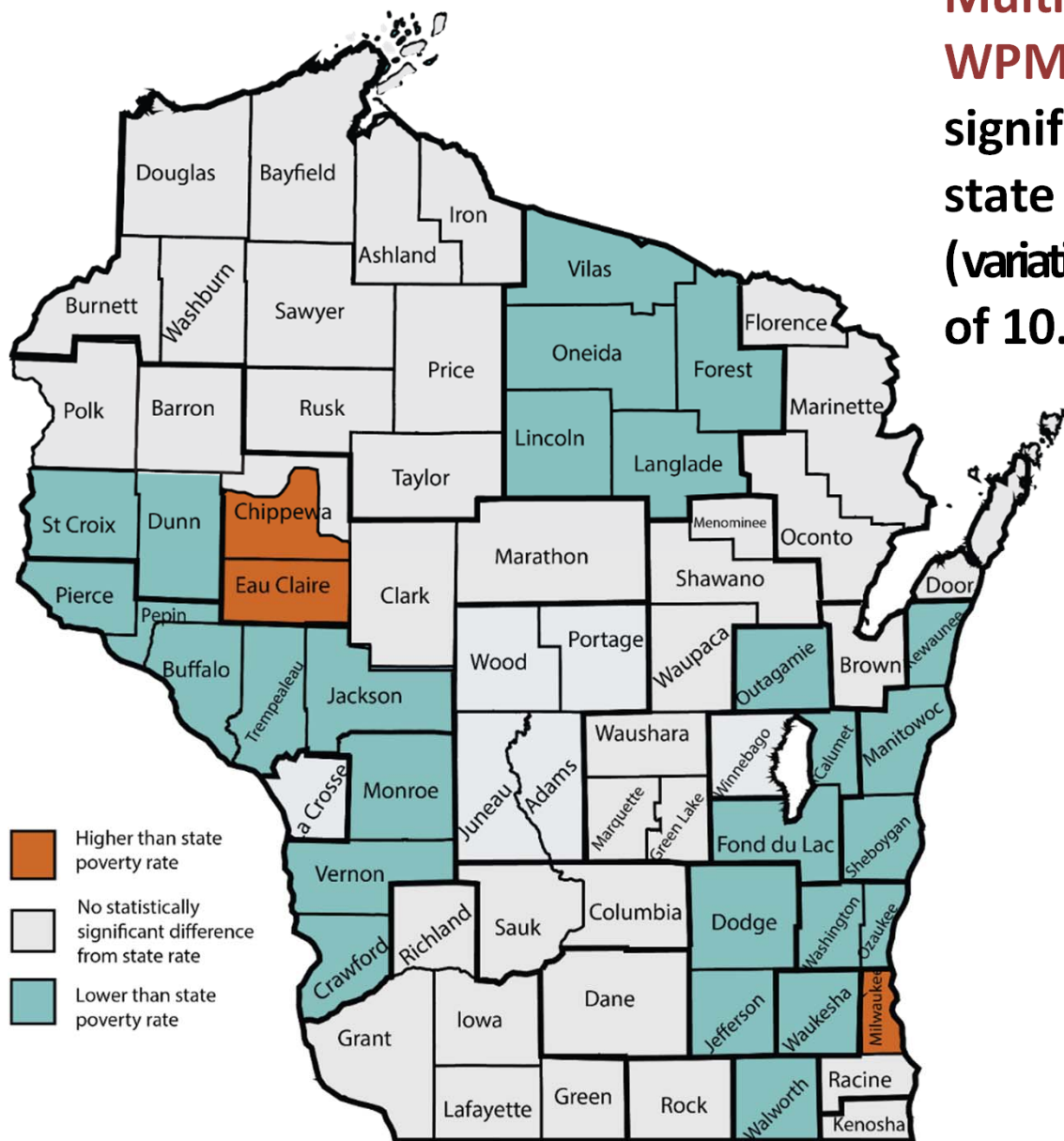
Child Poverty *within* Wisconsin's borders*

Overall child WPM rate of 10.2% for Wisconsin in 2017—but lots of variation across the state* , *within* large counties and by race:

- Higher in Milwaukee (19.2%), and Eau Claire/Chippewa (15.4%) only:
- Lower in 27 total counties: Suburbs north & west of Milwaukee (Waukesha-Washington/Ozaukee), eastern side of state, and central and west central Wisconsin, and Walworth!—see map.
- Most counties ever with poverty rates significantly lower than the state average— good news—but
- Within Milwaukee County, variance is greater: overall child poverty rates poverty rates varied from 7 to 38 percent.*
- Black child poverty at 30% in all of Wisconsin, is almost three times as high as overall poverty and roughly four times white poverty in the state*

*ACS can accurately show poverty in areas of 100,000 or more persons

Wisconsin Counties and Multicounty Areas with 2017 WPM Poverty Rates -- significantly above or below state overall rate of 10.2 % ; (variation in child poverty rate of 10.4% is very similar)

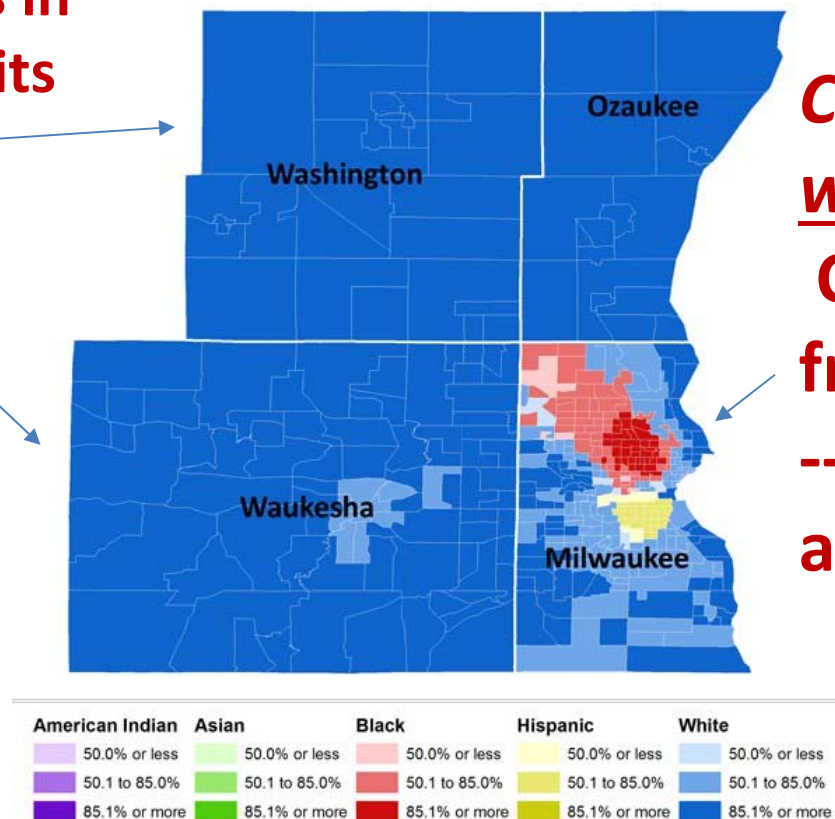


Racial and Ethnic Segregation and Child Poverty : Milwaukee and surrounding counties

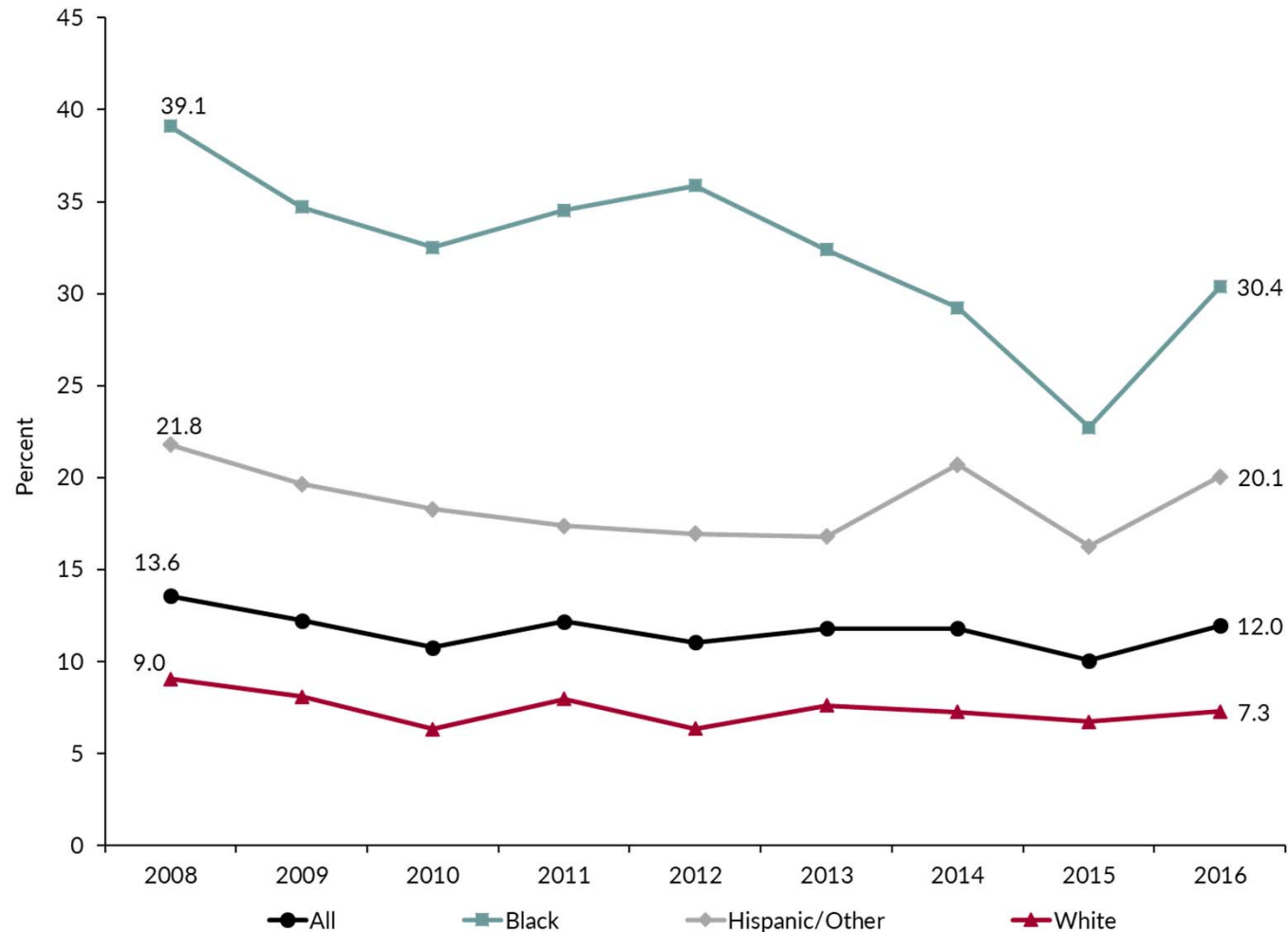
**Child poverty rates in
Single in single digits
in white
Anglo-dominated
counties :
All under 6%**

***Child WPM rate
within MKE
County varies
from 7% to 38%
--highest in red
and yellow areas***

Source:
censusscape.org



Wisconsin Child Poverty Rates by Race & Ethnicity Using the WPM, 2008-2016



B. Now what's next in WI ?

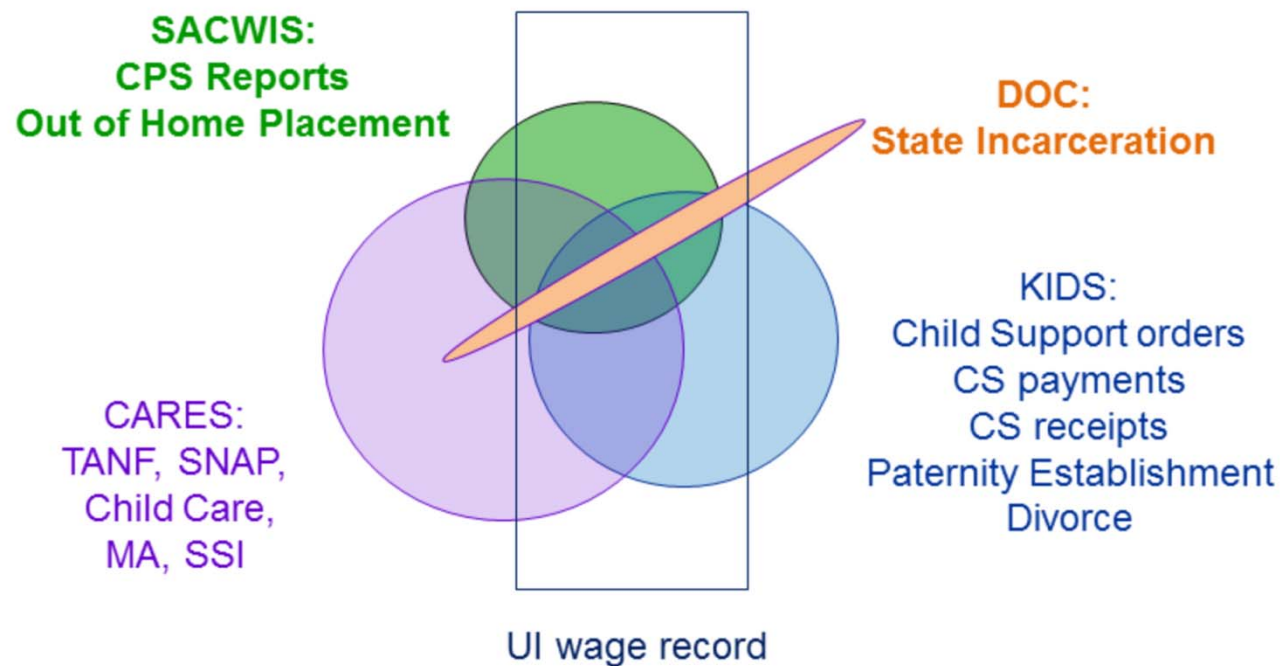
Interest by policymakers, non profits, and researchers in :

1. What is driving the numbers state wide and county wide and what might make a difference in child poverty in term of work supports and income supports ?
2. Simulations of anti-poverty program expansions, like a child allowance or an expanded state EITC
3. Better use of state administrative data by *directly* linking the MSPF* to the ACS (or at least DOR records) vs. current practice of using county caseload and expenditure totals and unit type breakdowns to allocate SNAP and public housing
4. Interest in smaller/shorter reports targeted to specific groups or specific agency programs (lots of one and two page summaries)

* MSPF= Multi-System Person File –next slide

The WI State Multi-System Person File (MSPF) administrative data for every person in WI benefitting from one of 15 specific programs since about 1990* !

Figure 2: New “MSPF” Model for Research with Administrative Data



***What is missing : links to ACS, tax record (DOR) ,
some schooling (DPI) data**

C. Improving the SPM itself: What to do ?

- 1. Use the Market Income Poverty concept**
- 2. Think about the household as the right poverty unit**
- 3. Publish a semi-relative SPM and an anchored SPM where the anchor is SPM 10 years ago (BOTH measures tell us something important)**
- 4. Get a measure of medical insurance need and then resources (e.g. Medicaid, SCHIP) to meet those needs**
- 5. Develop a measure of child care needs (cost of high quality program) and resources to meet those needs**
- 6. Appoint a new NAS poverty study panel like the 1995 panel to consider how to improve NAS – SPM measure**

Summary and Conclusion

- The WPM shows poverty is affected by both the economy and public policies
- The 9.5 year recovery from the Great Recession reflected in the 2019 report is not delivering enough for poor families and workers
- We are just treading water over the past few years in child poverty
- Central city Milwaukee is still struggling as are the minority children living there
- If we want to do better and break through to reduce poverty, we need to increase wages, work supports and income supports
- Governor Evers has begun by cancelling mandatory workfare for SNAP families with youngest child of school age – “one small step”, but a good one

Addenda

- **One Page Summary of the Wisconsin Poverty Report**
- **Where to find the various WPM reports**
- **Details on policies for work and income supports in Wisconsin and the nation**
- **Comparisons to the annual 2019 SPM**
- **Some more details on construction of the WPM**

The one page summary of the Wisconsin Poverty Report

Wisconsin Poverty Report Summary: 2017

Summary of the 11th Annual Wisconsin Poverty Report

June 2019

Timothy M. Smeeding and Katherine A. Thornton



KEY POINTS

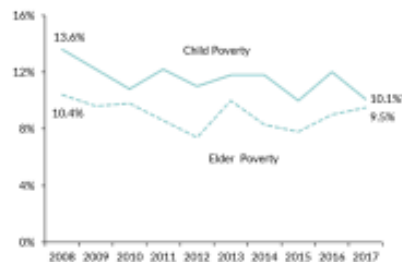
Poverty in Wisconsin fell from 10.8% in 2016 to 10.2% in 2017.

The state's growing economy has had little effect on the poverty rate as rising costs of living, especially in the areas of childcare and medical care, offset gains in earnings and employment. This left Wisconsin's poverty rate in 2017 about the same as it was in 2010.

Child poverty fell while poverty for elders rose in 2017. Child poverty fell from 12.0% in 2016 to 10.1%, and poverty among elders rose from 9.0% to 9.5%, continuing a climb begun in 2015.

TREADING WATER IN 2017: POVERTY DECLINED FOR CHILDREN BUT INCREASED FOR ELDERS

Poverty rates fell for children but rose for elders.



*The change from 2016 was statistically significant.

Poverty rates fell for children but rose for elders in 2017. The poverty rate for families with children fell from 12.0% to 10.1% between 2016 and 2017. This improvement appears to reflect a boost that families with children received from the economy, with parents possibly taking advantage of lower unemployment rates. Meanwhile, older Wisconsin residents (aged 65+), who are more likely to be out of the workforce, saw their poverty rates rise from 9.0% to 9.5% in 2017. This increase may in part be due to growing costs of living, including out-of-pocket medical expenses such as insurance premiums, co-payments for medical services, prescription and over-the-counter drugs, and uninsured medical expenses that present a significant challenge for the low-income elderly.

How Is Poverty Measured?

This document reflects the Wisconsin Poverty Measure (WPM), developed by researchers at the Institute for Research on Poverty at the University of Wisconsin-Madison. The measure identifies whether families have the necessary income to meet their basic needs. It counts families' market income and public cash benefits, in addition to noncash benefits (such as FoodShare) and tax credits. It also deducts necessary expenses such as childcare and medical expenditures and makes adjustments for geographic differences in prices.

The graph to the right shows the 2017 WPM rate of 10.2% is essentially unchanged from 2010 and 2012, the years of the immediate recovery from the Great Recession.

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



THE SAFETY NET'S IMPORTANT ROLE IN LIFTING PEOPLE OUT OF POVERTY IS SHRINKING

Tax credits and food assistance had a significant antipoverty impact in 2017, as shown below. Each lowered the poverty rate by 1.2 percentage points. Housing programs and energy assistance also had a protective effect and reduced the overall WPM poverty rate in the state by a total of 0.7 percentage points. Yet, the overall antipoverty impact of these programs was largely negated by work expenses (including childcare) and medical out-of-pocket expenses. In past years, particularly during the Great Recession, the safety net provided an important buffer against poverty, but its effects have shrunk over time as fewer people apply for and receive benefits. Benefit changes such as work requirements for single people in FoodShare have also reduced the number of people eligible to receive assistance.

The safety net helped, but was offset by work and healthcare expenses.



THERE IS SUBSTANTIAL VARIATION IN POVERTY ACROSS THE STATE

To understand how poverty varies across Wisconsin, the report estimates poverty for a number of counties and substate areas. Estimates for poverty rates are as low as 3.6% in Washington and Ozaukee counties and 4.2% in Waukesha County. On the other hand, the WPM rises to 17.2% in Milwaukee County and 14.4% in the area made up of Eau Claire and south Chippewa counties. These are the only places with rates significantly higher than the state average of 10.2%. These findings suggest that the economy is not benefiting workers and families evenly across our state.

Only two areas of the state had poverty rates higher than the overall state rate of 10.2% in 2017.



THERE IS A NEED TO COMBINE WORK WITH SUPPORTS

After more than eight years of nationwide recovery since the end of the Great Recession, we should see better poverty outcomes. While the long-term solution to poverty for the able-bodied non-elderly, especially parents, is a secure job that pays well, filling income supports, the rising costs of childcare and medical care are offsetting the economic recovery in our state, despite our low unemployment rate. Even under the best of economic conditions, work alone does not solve the poverty problem for families with children, and increases in medical costs for older residents are outstripping increases in Social Security. If we want to lower poverty rates for vulnerable populations and do more than tread water, we need to maintain and even increase income support benefits and thereby better share the gains from economic growth in Wisconsin.



To view the full report visit:
www.irp.wisc.edu/resource/wisconsin-poverty-report-2017/

Where to find the WI Poverty Reports?

The 2019 WPR and Short Summary for 2017 are at:

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

Additional information and technical reports on the WPR at:

<https://www.irp.wisc.edu/category/wisconsin-poverty-reports/>

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>

Where do we go from here?

need for more and better **work supports**

- 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 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

- Based on a recent NAS report on child poverty, mandatory work requirements for parents are likely to increase poverty, and work alone won't solve the poverty problem for parents and kids* (and likely not for undereducated adults either)
- **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

* http://sites.nationalacademies.org/dbasse/bcyf/reducing_child_poverty/index.htm

SPM UPDATE— September 10th , 2019

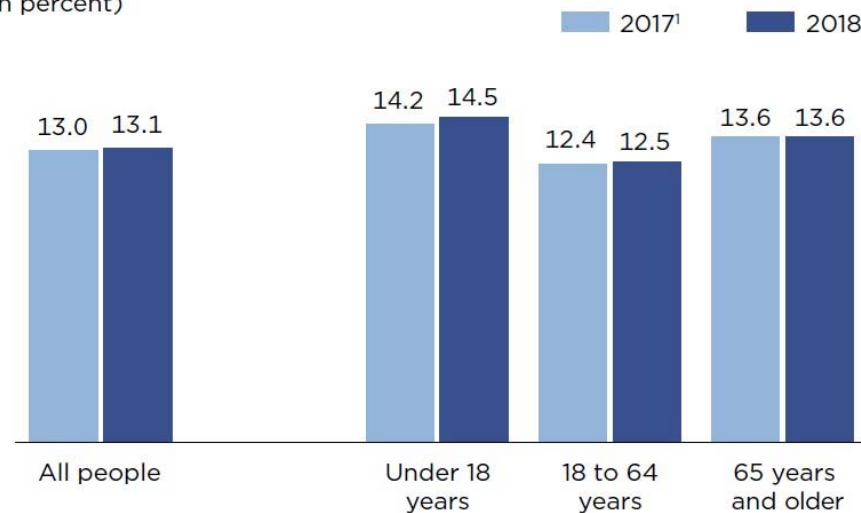
- In September, the US Census Bureau released their poverty estimates for 2018 , including the SPM

<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)



¹ 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.

Institute for
Research on
Poverty

UNIVERSITY OF WISCONSIN-MADISON

WPM is Focused on Poverty in Wisconsin

some WPM construction details

Uses **public use data from the American Community Survey (ACS)** to allow reliable state- level and sub-state level estimates, based on 66 percent of total sample (The federal SPM uses data from a different and smaller survey);

Poverty thresholds adjusted for Wisconsin cost of living across the state, and Wisconsin intra-state differences in housing costs (own outright, own mortgage & renter);

Tax model includes federal and Wisconsin income tax laws and payroll taxes;

SNAP benefits, housing assistance, and energy assistance are based on state administrative data and eligibility;

Medical and work related costs like child care based on regional estimates