

## The Changing Nature of Poverty

By MARTHA S. HILL

**ABSTRACT:** Since the beginning of the War on Poverty, the poverty rate has fluctuated widely, and at the same time the poverty population has undergone many changes, some mirroring the changing stereotypes of the poor and others less pronounced than the changing stereotypes would lead us to believe. A feminization of poverty has occurred, with many more of the poor now in households headed by women. Interestingly, aging of the poverty population has not occurred despite growth in the elderly segment of the overall population. Concerning turnover in the poverty population, we find that despite poverty theories emphasizing persistence, recurrent poverty is relatively rare and poverty is not generally passed from one generation to the next. Poverty prevention has come from both economic growth and government transfers; however, inequality in economic growth has contributed to poverty. With the proportion of elderly and female-headed households likely to continue at a high level into the future, poverty rates are also likely to remain high unless government transfers are increased.

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**L**AUNCHED in the 1960s, America's War on Poverty was a response to the discovery and initial diagnosis of its poverty problem. By the mid-1980s, the perception of the nature—and even the existence—of poverty had undergone fundamental changes, as had beliefs about the role of policies that might be designed to combat it. Hess describes the old stereotype of the poor as follows:

When poverty became a national issue in the early 1960s, the image of America's poor still bore a resemblance to portraits of the Great Depression: grim-faced farmers, prematurely old women surrounded by children, elderly white folk, perhaps a dignified black or two.<sup>1</sup>

By the 1980s the stereotype of the poor had shifted to one of urban poverty and central-city decay, of unmarried mothers, predominantly black, having children to increase their welfare payments. The persistent poor had become America's underclass, composed of long-term welfare recipients, young ex-offenders and ex-addicts, most of whom lived in large urban areas.<sup>2</sup>

Curiously, despite the change in the type of person typically thought of as poor, poverty continues to be characterized as a permanent condition. The permanency of poverty is a recurrent theme in the theories of poverty and dependency that have evolved over the same time period that the stereotype of the poor has changed. These theories, whether expounded in academic or more popular outlets, depict the poor as mired in poverty throughout their lifetimes, and passing a legacy of poverty onto their

children, with generation after generation remaining in the same dire economic position.

That the characteristics of poverty are seen to be changing while poverty itself persists is strikingly incongruous, yet little has been done to reconcile the differences. In this article, we will sift through the available evidence about the nature of poverty in an attempt to disentangle myth from reality. First we will examine the estimated size of the poverty population during the last two decades. Then we will focus on the characteristics of the poverty population at these different points in time: 1960, 1970, and 1980. We will examine the factors behind the shifting characteristics of the poor as well as see what shifts there have been. Next, we will look into the issue of the permanency of poverty with a new data source that was designed for the purpose, tracking individuals through the decade of the 1970s, and following children out of their parents' homes to assess the extent to which poverty is transmitted across generations. Poverty's causes and cures are then examined. Here we find a complexity of causes, with low wage rates important for nonelderly male household heads and demographic changes, especially divorce and the departure of children from their parental homes, important for nonelderly female household heads. The relative importance of economic growth and government transfers in alleviating poverty is then explored before attempting a projection of poverty rates into the future. Throughout this article, we rely on the conventional resource definition of poverty that rests on a comparison of family income with a minimal standard of needs based on a family's size and composition.

1. Beth B. Hess, "New Faces of Poverty," *American Demographics*, 5(5): 26 (May 1983).

2. Kenneth Auletta, *The Underclass* (New York: Random House, 1982).

### THE DATA

Data used in this article come from the Census Bureau's large Current Population Surveys (CPS), which provide an annual cross-sectional snapshot view of the incidence of poverty, and from the Panel Study of Income Dynamics (PSID), a smaller survey that has followed members of the same families across time, thus providing information on the extent to which the same people become poor, remain poor, or climb out of poverty.

### MEASURING POVERTY

To assess changes in poverty over time, we must first address a number of measurement issues. The CPS and PSID use similar, although not identical, methods of defining poverty. In both cases, the definition of poverty rests on a comparison of a family's money income with an estimate of its needs: if a family's income falls short of the threshold level of minimum needs for a family of that type then the family is deemed poor; otherwise the family is nonpoor. The CPS measure reflects the official definition of poverty, and the PSID measure provides a somewhat more refined but essentially comparable measure.

In both the CPS and the PSID, a family's money income is the sum of the amounts received from earnings, social security and public assistance payments, dividends, interest, rent, unemployment compensation, pensions, alimony, child support, and other forms of money transfers. Not included as income are benefits in the form of goods and services received either from government programs or from private sources. This means that nonmoney transfers such as food stamps, health benefits, subsidized housing, and aid to education are not usually considered

when distinguishing the poor from the nonpoor.

The CPS and PSID use a similar standard of minimum needs for families. In both cases, the heart of the needs standard is an estimate of weekly food costs for individuals of each age and sex, produced by the U.S. Department of Agriculture. These weekly food costs are expanded to an annual figure, magnified to cover costs of nonfood as well as food expenditures, and adjusted for economies of scale that can be realized by larger living units to arrive at the threshold levels of minimal income needs for families of various types. For CPS poverty figures through 1982, distinctions are made according to family size, age and sex of family members, and farm or nonfarm residence. The PSID data allow more precise distinctions in needs, basing family needs on these factors as well as the length of time spent by household members in that household over the specified year. Likewise, the PSID family income includes income of a household member for the length of time during the year that the member is part of that household. The poverty thresholds for 1980 for both the CPS and PSID were roughly \$4000 for an individual living alone, \$5500 for a married couple, and \$8500 for a family of four.

### CRITICISMS OF THE OFFICIAL POVERTY DEFINITION

There are many criticisms of the official poverty definition. While there is general agreement that the measure should be designed to identify individuals with insufficient economic resources to attain a satisfactory standard of living, there is often disagreement about both what to count as resources and what

should constitute a minimal standard of living. One set of critics argues that the official definition of poverty produces an overstatement of the extent of poverty since benefits of in-kind transfers such as food stamps, Medicare, Medicaid, and various housing subsidies are omitted from the measure of resources.<sup>3</sup> This has led, in fact, to the speculation that if these resources were counted, we would find that poverty no longer exists. On the other hand, there are critics who argue that the official needs standard is too parsimonious, and thus official poverty figures understate the true extent of poverty.<sup>4</sup> Other adjustments or refine-

3. There are compelling arguments for the inclusion of the market value of food stamps or housing subsidies as part of family resources available for satisfying basic needs, especially if recipients augment these benefits with additional expenditures of their own. Inclusion of the market value of medical benefits from programs such as Medicare and Medicaid in the income measure without adjustment to the recipient's needs standard is more problematic. These medical programs are designed to pay for extraordinary medical needs—medical needs that entail expenses far above the typical medical expenses that are assumed when determining the minimal needs thresholds. One way of circumventing a substantial part of this problem is to value access to Medicare and Medicaid as the cash equivalent of an insurance policy with similar medical coverage. With this method of valuation, however, the disabled would be assigned greater in-kind benefits than the nondisabled, yet their needs would still reflect those with the average situation. It could be argued that, in effect, a family's needs level should be adjusted upward by close to the same level as its income is when evaluating Medicare and Medicaid benefits at their market value. Alternatively, these benefits could be valued at a rate equal to fulfillment of the medical needs level assumed in the minimal needs thresholds.

4. The food needs standard that forms the basis for the official poverty thresholds is the most parsimonious of the several different food cost estimates prepared by the U.S. Department of Agriculture. As such, it is subject to criticism as being unrealistically low. Although the National

ments to the measure have been suggested as well, such as using after-tax income to better reflect the level of disposable income, counting the level of services that a household provides for itself—such as housework and child care—among its resources, accounting for the fact that some people are time poor—they have virtually no leisure because their work activities consume so much of their time—and using a relative measure of living standards instead of an absolute level.

Each of these criticisms has its merits, but some of these adjustments are easier to make than others. For assessing the trends in poverty we will examine several variants of the official poverty definition but will rely solely on the official definition for the remainder of the analysis.

#### YEAR-TO-YEAR POVERTY COUNTS DURING THE LAST TWO DECADES

Calculations of the incidence of officially defined poverty have been made each year by the CPS since 1959, and estimates of variants of this poverty definition have been made for scattered years since that time. This allows us to trace the path of poverty throughout the period 1960–82, providing repeated one-year assessments of the extent of poverty. The paths of these one-year snapshots of poverty incidence are plotted in Figure 1. As we can see from this graph, the percentage of the population that is

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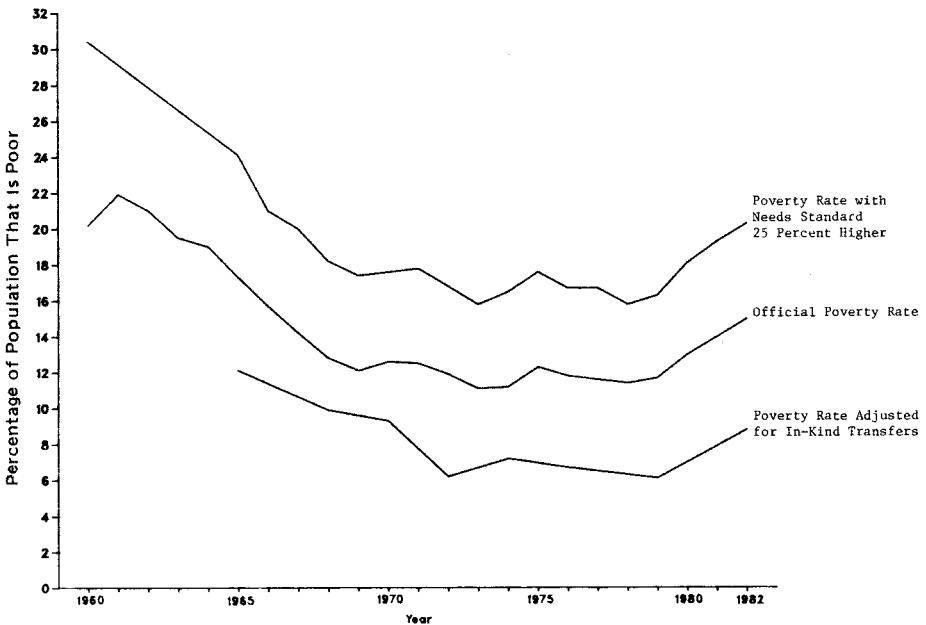
Research Council has designated it as generous enough for “nutritional adequacy,” this food needs standard was deemed appropriate only for “temporary or emergency use.” It assumes considerable sophistication in food purchase and preparation, as well as home preparation of all meals. Many critics have argued that a more realistic needs standard might be one 25 percent higher than this one that has been used for official poverty figures.

poor during a year declined dramatically during the 1960s, changed little during the decade of the 1970s, and then began rising in the early 1980s. These trends appear across the variant definitions of poverty as well. The drop in official poverty incidence between 1960 and 1970 was quite sharp, falling from 20.2 percent of the population officially poor in 1960 to only 12.6 percent officially poor in 1970. The upturn in poverty in the early 1980s was the only sustained upturn during the 22-year period. This upturn was strong enough to return the poverty rate to a level higher than at any time since 1967.

THE CHANGING FACES OF THE POOR  
AND THE UNDERLYING TRENDS  
IN POVERTY INCIDENCE

The nature of poverty has changed considerably since the 1960s, with sizable shifts in the structure of the poverty population. Even during the 1970s—a period of relatively stable poverty rates—the faces of the poor were taking on different qualities. At the same time, the stereotypes of the poor were undergoing transformation. In 1960, the portrait of the poor was one of rural Appalachian families with a father, mother, and many children as well as an elderly grandparent or two. These families were predominantly

FIGURE 1  
POVERTY RATES 1960-82 UNDER DIFFERING DEFINITIONS OF POVERTY



SOURCES: For official poverty rate and poverty rate with needs standard 25 percent higher: U.S. Department of Commerce, Bureau of the Census, *Characteristics of the Population below the Poverty Level: 1982*, Current Population Reports, ser. P-60, no. 144 (Washington, DC: Government Printing Office, 1984); for in-kind transfers: Timothy Smeeding, "The Antipoverty Effects of In-Kind Transfers," *Policy Studies Journal*, 10:499-521 (1982).

white; some, but relatively few, black families were in much the same situation. By 1980, poverty was seen as having moved out of the farmland and into the central-city ghetto. The poor were depicted as primarily women and children, with poor families no longer having a father present as a source of support. In the eyes of many, most of the poor now were black. Just how closely these stereotypes

fit the reality can be ascertained by examining the actual characteristics of the poor.

The characteristics of the poor during the period from 1960 to 1980 are compared in Table 1. It shows that there were indeed some changes in the characteristics and environment of the poor, and it shows the trends in poverty incidence underlying these changes. Most of the

TABLE 1  
CHARACTERISTICS OF THE POVERTY POPULATION AND POVERTY  
INCIDENCE IN SUBGROUPS WITH SPECIFIED CHARACTERISTICS

Characteristic	Percentage of Poverty Population with Specified Characteristic			Percentage of Population with Specified Characteristic Who Were Poor		
	1960	1970	1980	1960	1970	1980
Urbanization						
Nonmetropolitan	56.1*	47.6	38.4	33.2*	16.8	15.4
Outside central city	17.0*	20.5	25.2	12.2*	7.1	8.2
Inside central city	26.9*	31.9	36.4	18.3*	14.2	17.2
Region of the country						
South	49.3*	44.9	42.2	35.4*	18.6	16.5
North and West	50.7*	55.1	57.8	16.0*	10.0	11.3
Race						
White	71.0	68.8	67.3	18.1	9.9	10.2
Black	25.1*	29.7	29.3	55.1*	33.1	32.5
Age and sex						
Adult men	20 <sup>†</sup>	—	21.8	—	—	—
Adult women	33 <sup>†</sup>	—	38.7	—	—	—
Children	47 <sup>†</sup>	—	39.4	—	—	—
Elderly	13.9*	18.5	13.2	35.2	24.5	15.7
Elderly not in families	5.8*	10.8	8.4	—	—	—
Nonelderly	86.1*	81.5	86.8	21.1	11.3	12.7
Living arrangement						
In families	87.6	80.0	78.7	20.7	10.9	11.5
Male householder in family	60.8	36.1	28.7	18.0	7.7	7.4
Female householder in family	26.8	43.9	50.0	49.5	38.1	36.7

SOURCE: Unless indicated otherwise, U.S., Department of Commerce, Bureau of the Census, *Characteristics of the Population below the Poverty Level: 1980*, Current Population Reports, ser. P-60, no. 133 (Washington, DC: Government Printing Office, 1982).

\*This is a 1959 figure, since 1960 figure is unavailable.

<sup>†</sup>Figure obtained from Beth B. Hess, "New Faces of Poverty," *American Demographics*, 5(5): 28 (May 1983).

poor in 1960 were living in rural, or at least nonmetropolitan, areas, just as the stereotypes would have us believe. Over the next two decades the poverty population shifted somewhat from its rural base to a more urban one. However, in one important regard the 1980 stereotype is misleading: the 1980 poor were not predominantly central-city dwellers; two-fifths of them lived in rural areas and another quarter lived in urban areas other than central cities. As Table 1 also shows, the movement of the poverty population from a rural locale to a more urban one did not come about because of a large increase in the poverty incidence of urban dwellers. Instead, it was a greater rate of decline in the poverty incidence among rural dwellers that was instrumental in the shift in the location of poverty from rural to urban areas.

Just as the stereotype of the poor shifted between 1960 and 1980 from one of rural poverty to one of urban poverty, the stereotype also shifted from one of southern poverty to one of northern poverty. The actual regional shift in poverty, however, was less than the change in stereotype would lead us to believe. The original 1960 regional distribution of poverty was one with the poor as likely to be in the South as in the North or West. By 1980 the regional distribution had changed so that the majority of the poor was now in the North and West, but about two out of every five poor persons were located in the South. The regional trend in the location of the poverty population is due to differential rates of decline in poverty incidence in different parts of the country. As Table 1 shows, between 1960 and 1980 poverty incidence declined in both the South and the non-South. The decline, however, was much steeper for residents of the South.

Noting the racial composition of the poor in the different years, we find another aspect of the 1980 stereotype in error: the 1980 poor were not predominantly black. There has been a shift toward blacks constituting a larger fraction of the poor. However, the actual change has not been great enough to shift majority status to blacks. In 1959 blacks constituted one-quarter of the poor, and in 1980 they made up a little less than one-third of the poor. The underlying factor behind the increase in the extent to which blacks constitute the poverty population is a lower rate of decrease for blacks in the incidence of poverty.

A change in the poverty population that has attracted a great deal of attention has been the feminization of poverty. Just as the stereotypes so far have proven to be misleading, so too is this characterization of the change in the nature of poverty. What is deceptive about this characterization is that, on the face of it, feminization of poverty implies that the poor are now predominantly adult women. Such is not the case; as the figures in Table 1 indicate, women did not constitute the majority of the poor in 1980. Women have become a larger fraction of the poor, but the increase is very small; the fraction of the poor who were women rose from one-third in 1960 to two-fifths in 1980. It is true that in 1980 the poor were mostly women and children. However, this was also the case in 1960. The fraction of the poor who were adult men remained almost unchanged between 1960 and 1980, while a slight decrease in the fraction who were children accompanied the slight increase in the fraction who were women. This tells us that men still belong in the picture painted of the poor.

What is now different and what the idea of the feminization of poverty correctly characterizes is the increased proportion of poor women who head their households. Whereas in 1960 the majority of poor individuals were in families with a male household head, by 1980 less than one-third were. As of 1980, half of all of the individuals in poverty were in families with a female household head. Thus, poverty has become feminized because the poor have come to depend more on women as the main breadwinners; and the burdens of poor women have greatly increased since this responsibility is often added to the responsibilities of rearing children. This shift has occurred for blacks and whites alike. As Hess points out,

The real change has been that poor women in the past were likely to be the wives of impoverished men. Today, however, they are much more likely to be the head of their own household or part of a non-family household.<sup>5</sup>

The feminization of poverty was not due to rising poverty incidence for the expanding group of female-headed families. Poverty incidence for female-headed families declined substantially between 1960 and 1970 and then slowly declined between 1970 and 1980. Instead, the poverty population came to be increasingly composed of female-headed families for two other reasons. Between 1960 and 1970 this feminization occurred because of both a larger relative decline in poverty incidence for male-headed families and some increase in the proportion of persons in the overall population who were living in female-headed households. Whereas in 1960 a person in a female-headed family was about three times as

likely to be poor as one in a male-headed family, by 1970, because of the larger relative decline in poverty incidence for male-headed families, a person in a female-headed family was five times more likely to be poor.

At the same time that the relative chances of being poor were increasing for persons in female-headed families, these families were also growing in number relative to male-headed families. The proportion of individuals in female-headed families grew from 8.6 percent in 1960 to 9.7 percent in 1970. The growth of this type of living arrangement, however, was even more pronounced in the period from 1970 to 1980, when the proportion of individuals living in female-headed families rose from the 1970 figure of 9.7 up to 13.7 percent. Thus, despite stable relative poverty incidence rates for persons in male-headed and female-headed families between 1970 and 1980, the increase in the occurrence of female-headed families in the overall population was sufficient to increase substantially the occurrence of this type of family in the poverty population. The general growth in female-headed families has been due to several demographic factors, notably a sharp increase in the incidence of divorce and separation and independent living by unmarried mothers.

The greater increase in labor market participation of married women relative to other women may well account for the larger improvements in the economic situation of male-headed households. This was occurring at the same time that the wage gap between men's and women's wages was remaining constant. With women continuing to earn about 60 percent of what men were, female household heads continued to be at a disadvantage relative to male household heads.

5. Hess, "New Faces of Poverty," p. 28.



It is noteworthy that the fraction of the poor who were elderly was about the same in 1960 and 1980, with an intermediate increase in 1970. Behind this oscillation is a continuous trend of increase in the elderly population as a segment of the overall population coupled with a continuous decline in the incidence of poverty among the elderly. Despite a continuous decline in poverty incidence, the decline for the elderly was not always as great as the decline for the nonelderly, and this along with the increase in the size of the elderly segment of the overall population resulted in an increase between the years 1960 and 1970 in the proportion of the poverty population that was elderly. Whereas in 1960 an elderly individual was about one and one-half times as likely to be poor as a nonelderly individual, in 1970 he or she was twice as likely to be poor. Due to the enactment of programs such as Medicare and the expansion of Social Security benefits in the 1970s, the relative chances of an elderly individual avoiding poverty were improved to the point that by 1980 an elderly individual was about one and one-quarter times as likely to be poor as a nonelderly individual. This improvement in the relative chances of being poor was enough to offset the increase in the size of the elderly population so that the elderly constituted no larger segment of the poor in 1980 than they did in 1960.

There was a sizable shift in the living arrangements of the elderly poor—a shift away from family households to nonfamily households, which are generally single-person households. In fact, the fraction of the poor who were elderly and living in nonfamily households actually increased between 1960 and 1980. Thus the change in the stereotype of the elderly poor from persons living with their children or grandchildren to living

alone accurately captures this aspect of the poverty population.

Family households—that is, households with related individuals in residence—continue to be the dominant living arrangement of the poor; however the proportion of the poor living in nonfamily households has increased during recent decades. In 1960 almost 9 in 10 of the poor lived in family households; by 1980 this proportion was down to 8 in 10.

From our findings thus far about the changing nature of poverty we can conclude that changes in the stereotype of the poor match qualitatively the changing faces of the poor since 1960, but they are not a good quantitative representation of the 1980 poor as a whole. This is because many of the same kinds of people who were poor in 1960 were poor in 1980 as well.

#### POVERTY PERSISTENCE

Although the stereotypes of the poor have changed over time, the notion that poverty is a permanent condition for those experiencing it is a recurrent theme in theories of poverty and dependency.<sup>6</sup> Not only are the poor thought to continue in poverty throughout their lifetime, but they are thought to pass their poverty

6. Both the culture of poverty—Michael Harrington, *The Other America* (New York: Macmillan, 1962); Oscar Lewis, *A Study of Slum Culture: Backgrounds for la Vida* (New York: Basic Books, 1968)—and the underclass theories—Auletta, *Underclass*—emphasize the permanency of poverty. Many proponents of the culture of poverty theory argued that the poor, or at least a segment of the poor, had a distinct culture that kept them mired in poverty. These ideas resurfaced in the underclass theories, which hold that segments of the poor have values and psychological traits that produce behavioral deficiencies and inhibit their achievements and that are passed on to the next generation through socialization of the youth.

and dependency on to their progeny, with generation after generation mired in the same dire position.

The snapshots of the poor provided by annual information from Census Bureau surveys show the characteristics of the individuals who are poor in any one year. Some of these individuals will be poor for only a short period of time, while others will be persistently poor. It is important to be able to distinguish between these different segments of the poverty population since the remedies for their poverty could be quite different. Short-term emergency assistance, such as help with winter heating bills, may be needed by families suffering an atypically bad year without financial reserves or the ability to borrow. Longer-run programs, such as those seeking to improve educational opportunities or to provide job training, may be needed by individuals subject to persistent poverty.

The Panel Study of Income Dynamics provides information on the experiences of a representative sample of families observed over more than a decade. This means that the extent and nature of poverty persistence can be examined using the PSID.

The permanence of poverty can be viewed from many perspectives.<sup>7</sup> One

7. The first analyses of the income dynamics of the poor with PSID data were presented in James N. Morgan, "Change in Global Measures," in *Five Thousand American Families: Patterns of Economic Progress*, ed. James N. Morgan et al. (Ann Arbor: University of Michigan, Institute for Social Research, 1974), 1:11-98; and Jonathan P. Lane and James N. Morgan, "Patterns of Change in Economic Status and Family Structure," in *ibid.*, ed. Greg J. Duncan and James N. Morgan (Ann Arbor: University of Michigan, Institute for Social Research, 1975), 3:3-60. Frank Levy, "How Big Is the American Underclass?" rev. version, mimeographed (Washington, DC: Urban Institute, 1976) extended this work considerably, as have

way is to observe the annual poverty status of the same individual each year for a decade and see how many of those years the individual was poor. If he or she was poor all of those years, then the poverty was clearly persistent poverty. However, individuals who were out of poverty for only 1 or 2 of those 10 years would seem to have experienced a great deal of persistence in their poverty as well. Following individuals who were poor in a given year, 1969, for the next decade, we find two-fifths—40.9 percent—of these individuals in persistent poverty, defined as having income less than needs in at least 8 of the 10 years.<sup>8</sup>

How typical is this persistent poverty of the more comprehensive population

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Richard D. Coe, "Dependency and Poverty in the Short and Long Run" in *Five Thousand American Families: Patterns of Economic Progress*, ed. Duncan and Morgan (Ann Arbor: University of Michigan, Institute for Social Research, 1978), 6:273-96; Lee Rainwater, "Persistent and Transitory Poverty: A New Look," mimeographed (Cambridge, MA: Joint Center for Urban Studies, 1980); Martha S. Hill, "Some Dynamic Aspects of Poverty," in *Five Thousand American Families: Patterns of Economic Progress*, ed. Martha S. Hill, Daniel H. Hill, and James N. Morgan (Ann Arbor: University of Michigan, Institute for Social Research, 1981), 9:93-120; Mary Jo Bane and David T. Ellwood, "Slipping into and out of Poverty: The Dynamics of Spells," mimeographed (Cambridge, MA: Harvard University, 1983); and Greg J. Duncan, Richard D. Coe, and Martha S. Hill, "The Dynamics of Poverty," in *Years of Poverty, Years of Plenty*, ed. Greg J. Duncan (Ann Arbor: University of Michigan, Institute for Social Research, 1984), pp. 33-70.

8. As Bane and Ellwood's "Slipping into and out of Poverty" indicates, this definition of persistent poverty fails to take account of the fact that lengthy spells of poverty may be beginning or ending during the observation period. If one is interested in persistent poverty that includes poverty persistence that is just ending, poverty persistence that is in process, and poverty persistence that is just beginning then Bane and Ellwood's completed-spell approach is the more appropriate.

of those who were poor at some time during the decade? The percentage of the poverty population in persistent poverty is even less for the broader population. If we add up all of the people who were counted as poor at some time during the decade and compare their numbers to those whom we identify as being in persistent poverty, we find that about one-tenth—10.7 percent—of the individuals ever in poverty were persistently poor. The more typical experience for individuals who were poor at some time was one of temporary poverty.

Defining temporary poverty in a manner analogous to that of persistent poverty, with 1 or 2 years of poverty during the 10-year period constituting temporary poverty, we find that the majority—55.7 percent—of the individuals poor at some time experienced temporary poverty. A sizable segment of the long-run poverty population—one-third, or 33.6 percent—experienced poverty that was somewhere in between persistent and temporary.

To assess the extent of intergenerational persistence in poverty status, we turn to the PSID again, but this time to the sample of “split-offs”—children who left parental homes since the study began in 1968. Using a 14-year time span for children between the ages of 25 and 30 in 1981, we can observe the income and needs situation in the parental home while the individual is a child and compare the poverty status then to the poverty status of the individual after formation of his or her own household.

Comparing the poverty status during childhood with the poverty status during independent adulthood, we find substantial upward mobility among young adults from poor families. The majority—57 percent—of young adults at or near poverty as children were not in a similar

status as independent adults. The upward mobility was often more than just a marginal improvement; most of those who escaped poverty were not clustered just above the poverty line, and over half moved well above the poverty line. Thus, while some of the poor remain so from one generation to the next, the more likely outcome for a poor child is to move out of poverty as an adult. This means that in an intergenerational sense as well as an intragenerational one, it is the minority rather than the majority of the poor that are mired in poverty.

#### CHARACTERISTICS OF THE PERSISTENTLY POOR AND THE TEMPORARILY POOR

Duncan, Coe, and Hill examined the characteristics of the persistently poor and the temporarily poor and found considerable differences.<sup>9</sup> The persistently poor were predominantly black—62 percent; located in the South—68 percent; and living in female-headed households—61 percent. In addition, many of the persistently poor—33 percent—were living in a household headed by an elderly person. The regional and racial composition of the persistently poor is strikingly different from that of the overall poor population during a given one-year period such as 1978, which Duncan, Coe, and Hill examine, or 1980, which we examined earlier. The characteristics of the persistently poor are in even sharper contrast to those of the temporarily poor, and, in fact, the temporarily poor population is very similar in its characteristics to the entire population.

9. Duncan, Coe, and Hill, “Dynamics of Poverty.”

### POVERTY CAUSES AND CURES

What will the poverty picture look like for the next two decades? To answer this we must know something about the factors that have determined poverty in recent years and how prevalent these factors are likely to be in the future. Analyses of the causes of poverty indicate a complexity of factors, with variation in the relative importance of the factors for male-headed and female-headed households, or, alternatively, for men, women, and children.

Bane and Ellwood's analysis of spells of poverty or near poverty for the non-elderly population show that a major factor in both the beginning and the end of spells of poverty for individuals in male-headed households is change in the head's earnings.<sup>10</sup> On the other hand, a predominant factor accounting for both beginnings and endings of poverty spells for individuals in female-headed households is the difference in household structure between a married household and an unmarried household; divorce, separation, and marriage are behind this difference. Another demographic change that also plays a role—and this time one that is about equally important for male- and female-headed households—is the splitting off of children to become a household head or spouse. These conclusions about the relative importance of demographic and labor market changes in movements into and out of poverty correspond closely to the findings of Coe, Duncan, and Hill concerning separate groups of adult men, adult women, and children.<sup>11</sup>

10. Bane and Ellwood, "Slipping into and out of Poverty."

11. Richard D. Coe, Greg J. Duncan, and Martha S. Hill, "Dynamic Aspects of Poverty and Welfare Use in the United States" (Paper delivered

They found that family composition changes are a dominant factor in determining changes in the economic well-being of children, an important factor for women, and a relatively unimportant one for men. Labor market changes were much more instrumental in the movements of adult men into and out of poverty.

Several factors could lie behind the earnings or labor market changes that are an important cause of the beginning or end of poverty spells for male household heads. One such factor is motivation. Theories of the culture of poverty and the underclass hold that it is the poor's attitudes leading to deviant behavior that keep a sizable segment of the poor in poverty. This would imply that changes in attitudes are needed to bring about changes in economic achievement. Investigations of this issue lend little support to these theories, finding instead more support for the reverse causal path from changes in economic situation to changes in attitudes.<sup>12</sup>

Other factors that could be the source of the effect of earnings on the poverty status of male household heads are few work hours in general or unemployment in particular or low wage rates. However, Corcoran and Hill estimate that only about one-tenth of the individuals who were poor at some time during the period 1967-75 would not have been poor if all households heads had worked

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at the Conference on Problems of Poverty, Clark University, Worcester, MA, Aug. 1982; revised Mar. 1983).

12. Martha S. Hill, Sue Augustyniak, Greg J. Duncan, Gerald Gurin, Jeffrey K. Liker, James N. Morgan, and Michael Ponza, "Final Report of the Project: 'Motivation and Economic Mobility of the Poor,' Part 1: Intergenerational and Short-Run Dynamic Analyses" (Report, Survey Research Center, University of Michigan, Aug. 1983).

the hours they reported being unemployed.<sup>13</sup> More generally with regard to work hours, Levy finds that assigning full-time jobs to nonelderly male household heads would have raised few of them out of poverty.<sup>14</sup> The more effective earnings-related means of raising the nonelderly male household heads out of poverty would have been to raise wage rates to the level expected of someone with similar qualifications. Thus, it seems that it is the low wage rates of nonelderly male household heads rather than few work hours that are the most responsible for their poverty.

Cures for poverty have tended to take one of two routes. One route is via government transfers, with the impetus for this method being a perceived need to provide economic resources to those who are limited in their ability to earn income in the labor market. The other antipoverty route has been economic growth, encouraged by government policies aimed at stimulating the economy. Associated with the economic-growth approach, but not agreed upon by all of that approach's advocates, is the belief that the economic benefits of economic growth will trickle down to the poor even if the growth begins among the segment of the population at the upper end of the income distribution.

In evaluating the effectiveness of these two approaches to the reduction of poverty, we begin with an assessment of the antipoverty effects of government transfers. Figure 2 shows how the trends in poverty in recent decades have varied depending on what forms of government

cash transfers are included as income. The pretransfer poor are those individuals who would have been in poverty if all cash transfers from the government were excluded from their income. The percentage of such individuals is much larger throughout the two and one-half decades of observation than is the percentage of individuals officially poor, indicating that government transfers were effective antipoverty instruments in recent years. Furthermore, the upward turn in pretransfer poverty during the 1970s suggests that without the government cash transfers during that time, poverty would have risen instead of holding steady as it did.

Cash welfare transfers keep only a small proportion of the otherwise poor out of poverty, as the prewelfare-poor line hovering just above the official poverty line indicates. Thus, the cash social insurance transfers—Social Security, railroad retirement, unemployment compensation, workers' compensation, government employee pensions, and veterans' pensions and compensation—have been more effective than cash welfare transfers—Aid to Families with Dependent Children, Supplemental Security Income, and general assistance—in removing the otherwise poor from poverty. Danziger's comparisons of these two forms of cash government transfers with in-kind government transfers shows the in-kind transfers falling somewhere between the two, being distinctly more effective than cash welfare, but less effective than cash social insurance transfers in preventing poverty.<sup>15</sup> The

13. Mary Corcoran and Martha S. Hill, "Unemployment and Poverty," *Social Service Review*, 54:407-13 (1980).

14. Levy, "How Big Is the American Underclass?"

15. Sheldon Danziger, *Alternative Measures of the Recent Rise in Poverty*, Institute for Research on Poverty Discussion Paper no. 740-83 (Madison: University of Wisconsin, Institute for Research on Poverty, 1983).

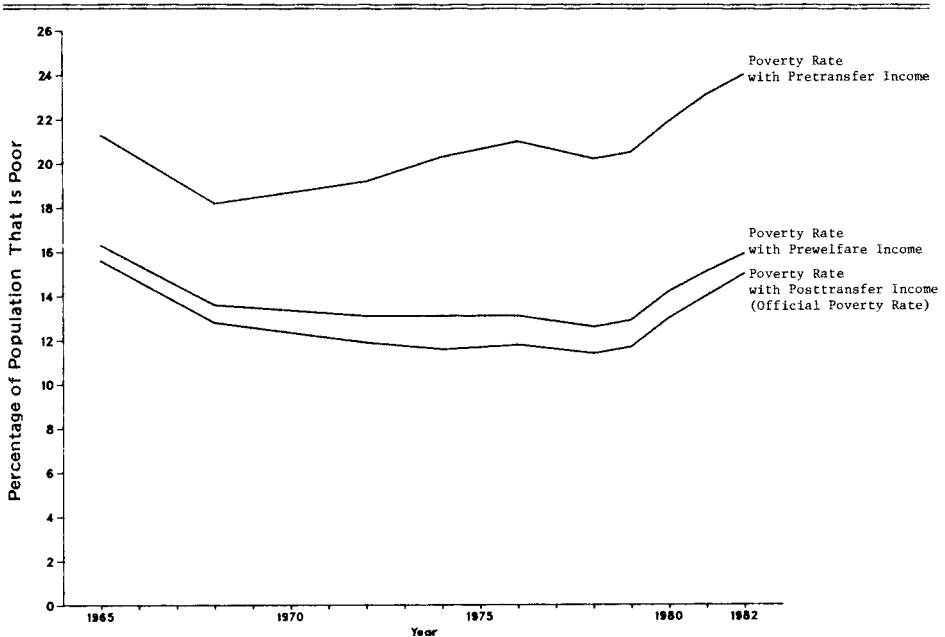
relative assessments with the in-kind transfers are, however, subject to problems because of controversy about the appropriate way to value the in-kind benefits.

Macroeconomic analysis by Gottschalk and Danziger provides some insight into the antipoverty effectiveness of government transfers relative to economic growth,<sup>16</sup> although these investigators also determine that estimates "are not stable enough to accurately separate the impact of economic growth from the impact of growing transfers." Despite

16. Peter Gottschalk and Sheldon Danziger, "Macroeconomic Conditions, Income Transfers and the Trend in Poverty" in *The Social Contract Revisited*, ed. D. Lee Bawden (Washington, DC: Urban Institute Press, 1984).

this qualification, they conclude that the relative importance of these two factors has varied over the last two decades. Between the late 1960s and the mid-1970s economic growth, measured as change in market income, and cash transfers, measured as contributory transfers such as Social Security as well as noncontributory welfare transfers, were about equally important in reducing poverty. This was a period of economic growth, rising government transfers, and sharply decreasing poverty. From the mid-1970s to the late 1970s—when economic growth was more moderate, government cash transfers increased less rapidly, and the poverty rate held steady—both factors, again, were important in reducing poverty, but the government cash transfers

FIGURE 2  
POVERTY INCIDENCE INCLUDING AND EXCLUDING TRANSFER INCOME



SOURCES: For posttransfer poverty rate, Bureau of the Census, *Characteristics of the Population below the Poverty Level: 1982*; for prewelfare and pretransfer poverty rates, Sheldon Danziger, *Alternative Measures of the Recent Rise in Poverty*, Institute for Research on Poverty Discussion Paper no. 740-83 (Madison: University of Wisconsin, Institute for Research on Poverty, 1983).

were of lesser importance. Between the late 1970s and the early 1980s the lack of economic growth was a stronger force in the rise in poverty than was the change in government cash transfers. The general conclusion is that both government transfers and economic growth are important factors in determining the path that the poverty rate takes.

While the trickle-down approach to reduction in poverty assumes that economic growth at the top of the income distribution will ultimately benefit the poor, the effect of economic growth on poverty is likely to be greater the more the growth immediately benefits the poor. It is possible, as Gottschalk points out, that if the incomes of poor households grow more slowly than average, then despite income increasing on average for all households the poverty rate may rise.<sup>17</sup> Thus the immediate effect of economic growth on the income distribution can be a factor to consider in evaluating the antipoverty effectiveness of the economic growth.

Gottschalk estimates the relative anti-poverty effectiveness of changes in the average level of market income, changes in the shape of the income distribution, and changes in the average level of cash transfer income. His estimates are for two periods, one from 1967 to 1979, when the poverty rate fell, and one from 1979 to 1982, when the poverty rate rose. His estimates show that from the late 1960s to the late 1970s both cash transfers and market income were effective in reducing poverty. However, the

economic growth during this period promoted further inequality in the income distribution by increasing the incomes of the poor by less than it increased the incomes of the nonpoor. This regressivity substantially reduced the effectiveness of economic growth in reducing poverty. During the recent upturn in the poverty rate, market income fell on average but the poor experienced greater decreases in income than did the nonpoor. This differential downward pressure on income, likewise, made a substantial contribution to the growth in poverty.

The ability of economic growth in general to reduce poverty has, no doubt, declined, given the demographic trends that would be poor if there were no increase in the number of individuals living in female-headed households and the growth of the elderly population. Danziger and Gottschalk point out that about two-thirds of the 1982 households that would be poor if there were not government cash transfers were headed by either an elderly person, a female with a child under age six, or a disabled person.<sup>18</sup> This leaves only one-third of the households in which the head would be expected to work, and it is this small portion of the population that economic growth would assist in preventing poverty. The larger portion of the pretransfer poor would need to rely on assistance other than improved labor market conditions. Such reliance is what one would expect, and the work of Treas confirms this by showing that during the postwar era government transfers were a much more effective means of reducing inequality than was economic growth for female-

17. Peter Gottschalk, *Will a Resumption of Economic Growth Reverse the Recent Increase in Poverty?*, Institute for Research on Poverty Discussion Paper no. 740-83 (Madison: University of Wisconsin, Institute for Research on Poverty, 1983).

18. Sheldon Danziger and Peter Gottschalk, "The Measurement of Poverty," *American Behavioral Scientist*, 26:739-56 (July-Aug. 1983).

headed families.<sup>19</sup> In addition, Gottschalk and Danziger show that the large drop in poverty incidence experienced by the elderly from the late 1960s to the early 1980s was almost entirely due to increases in mean government cash transfers.<sup>20</sup>

#### FUTURE PROSPECTS

With this background in mind, we can now speculate about what the future is likely to hold. While it is difficult to predict what will happen to wage levels or unemployment, expected demographic trends are likely to push the poverty rate up in the next few decades. Forecasts of the household composition of the United States in the years 1990 and 2000 call for an increase in the proportion of female-headed families, with divorce and separation continuing to be a major factor behind the formation of these types of families.<sup>21</sup> Given the role that divorce or separation has played in the poverty of female-headed households, this is likely to result in increased numbers of individuals in poverty. At the same time, the population will be aging. This will place pressure on the Social Security system and may well result in some reduction of the benefits available to the elderly. Such a change would also be likely to result in increased numbers of individuals in poverty.

19. Judith Treas, "Trickle Down or Transfers? Postwar Detriments of Family Income Inequality," *American Sociological Review*, 48(4):546-59 (Aug. 1983).

20. Gottschalk and Danziger, "Macroeconomic Conditions."

21. For the year 1990, George Masnick and Mary Jo Bane, *The Nation's Families: 1960-1990* (Cambridge, MA: Joint Center for Urban Studies of MIT and Harvard University, 1980); for 2000, Andrew Cherlin and Frank F. Furstenberg, Jr., "The American Family in the Year 2000," *Futurist*, 17(3):7-14 (June 1983).

That economic growth would be a poverty deterrent sufficiently effective to counteract these demographic trends is doubtful. Gottschalk's projections for poverty in the mid-1980s show that if past trends continue, economic growth as measured by increases in median earnings will have little impact on poverty rates.<sup>22</sup> He states that unless new steps are taken to increase the earnings of the poor, "the 1980s will be either another decade of growing real transfers per capita or a period during which there will be limited reductions in poverty."<sup>23</sup>

An important phenomenon underlay the growth in market income during the last few decades. This phenomenon was the increased labor force participation of women. Increases in women's participation in the future are not likely to be as substantial. This means that an important source of past economic growth will not be available in the future, thus making any future economic growth through increased labor supply less likely.<sup>24</sup> Poverty could, of course, be completely eliminated with transfer income policies targeting sufficiently generous amounts of income to the poor. Recent cutbacks in many transfer programs and discussed reductions in still others, however, suggest that this is an unlikely scenario for the future, but the future of transfer programs is difficult to predict.

If we assume that the economic climate remains essentially unchanged and that transfers remain unaltered,

22. Peter Gottschalk, "Transfer Scenarios and Projections of Poverty into the 1980s," *Journal of Human Resources*, 26(1):41-60 (Winter 1981).

23. *Ibid.*, p. 57.

24. See Frank Levy's discussion in *American Families and the Economy*, ed. Nelson and Skidmore (Washington, DC: National Academy Press, 1983) pp. 53-54.



with poverty incidence rates remaining constant according to the sex of the household head, we can project a poverty rate for the year 1990. Using the population distribution figures projected by Masnick and Bane for female-headed households and 1981 incidence rates,<sup>25</sup> we get an estimated poverty rate of 16.5 percent for the year 1990, with about 60 percent of the poor being in female-headed families.

#### CONCLUSION

The last two decades have seen wide fluctuations in the poverty rate, with the incidence of poverty falling sharply during the 1960s, remaining steady during the 1970s, and then rising during the early 1980s. At this same time the faces of the poor were changing. An important factor in the changing character of the poor was the feminization of poverty, with an increasing proportion of poor individuals living in households headed by a woman and thus relying on the female as the main breadwinner. An important factor in the feminization of poverty has been the general rise in the proportion of households with female heads, with sharp increases in divorce, separation, and independent living by mothers behind this trend. An interesting absence of change in the characteristics of the poor has been the extent to which the poor are elderly; the proportion of the poor living in a household headed by an elderly person remained virtually unchanged between 1960 and 1980, with an intermediate increase in 1970. This stability occurred despite a continuous increase in the size of the elderly population relative to the population as a whole.

As changes in the characteristics of the poor suggest, poverty is not always

something that persists across time for the same individuals. Persistent poverty is the experience of only a small portion of the people exposed to poverty. In addition, poverty is not necessarily something that is passed from one generation to the next. The more likely outcome for a child reared in poverty is for that child to move out of poverty as an adult.

Economic growth and government transfers are alternative means of combating poverty. Analyses of the role of these factors over the last two decades indicate that both have been effective in preventing poverty, with their relative effectiveness varying with the time period under analysis. Inequality in economic growth, however, has contributed to poverty. Thus, the trickle-down ideas about poverty reduction seem ill founded.

If economic growth is to be used as an antipoverty measure then it must be better aimed at the poor. In addition, the economic growth should be aimed at raising low wages rather than being geared to eliciting labor supply increases. In evaluating the likely effectiveness of economic growth in reducing future poverty it should be remembered that a majority of pretransfer poor persons will continue to be in households headed by an elderly person or a female. Government transfers have been an effective antipoverty instrument, especially for the elderly, and with the demographic trends likely to maintain the sizable proportions of elderly and individuals in female-headed households there is assurance of future needs for government help in addition to that available through the labor market system. Without increased assistance from government transfers, it is likely that the future holds poverty rates equally as high as those currently being experienced.

25. Masnick and Bane, *Nation's Families: 1960-1990*.