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by
Kathleen S. Short
and
Mark S. Littman

Transitions in Income and Poverty Status: 1985–86

SIPP
Survey of Income and Program Participation

U.S. Department of Commerce
BUREAU OF THE CENSUS

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Transitions in Income and Poverty Status: 1985-86

INTRODUCTION

This report presents data from the complete 1985 panel file of the Survey of Income and Program Participation (SIPP) on changes between 1985 and 1986 in the income and poverty status of persons. Descriptions of the SIPP program and the 1985 panel file are contained in appendixes A and D, respectively. A similar report issued in August 1989 presented data on income and poverty status changes between 1984 and 1985 from the 1984 panel file. That report was Current Population Reports, Series P-70, No. 15-RD-1, *Transitions in Income and Poverty Status: 1984-85.*

Unlike the poverty and income data collected in the Current Population Survey (CPS), which does not allow analysis of change in income or poverty status for particular individuals, SIPP data make it possible to gauge movement along the income distribution and into and out of poverty for the same persons in two consecutive years. These data enable comparisons to be made between the characteristics of persons who remained poor in both years, those who were able to exit poverty between 1985 and 1986, and those who were poor in 1986, but not in 1985. Similarly, the data make it possible to gauge the year-to-year movement of persons along the whole income distribution. The universe in this report includes only persons for whom information was collected in all eight waves of the panel.

SIPP also enables analysis of family composition change during the period of study and its effect on income and poverty status. Persons in families share resources and generally act as an economic unit. In the CPS income reports, the focal reference groups are families and unrelated individuals. However, the use of the family as a reference group for income estimates covering a 2-year period presents problems because the composition of individual families can change over time. In order to incorporate the effect of changes over time in family composition into our measures of income and poverty, the data in this report are presented for persons rather than families. Persons are characterized by the income and poverty status of their respective family unit based on living arrangements each month during the period of study.

Although there are a few differences, the definition of income in this report is basically that used in the CPS. It reflects money income only before taxes and does not include the value of noncash benefits such as employer-provided health insurance, food stamps, or Medicaid. Differences in income concepts between CPS and SIPP are discussed further in appendix B as well as in the Technical Notes section.

The poverty definition used here is the official definition of poverty as determined by the Office of Management and Budget. The official poverty definition consists of a set of annual money income thresholds that vary by family size and composition. Families or individuals with income below their appropriate threshold are classified as below the poverty level in the reference year. The poverty statistics exclude inmates of institutions, Armed Forces members in barracks, and unrelated individuals under 15 years of age. The poverty thresholds used are updated every year to reflect changes in the Consumer Price Index. The average poverty threshold for a family of four was $10,989 in 1985 and $11,203 in 1986. Estimates of persons below the poverty level based on SIPP differ from the official numbers published annually in the Current Population Reports, Series P-60, based on the CPS. The reasons for these differences are discussed in the Technical Notes section.

HIGHLIGHTS

(The figures in parentheses denote 90-percent confidence intervals.)

Changes in Income

- The median family income of persons in 1986 was $27,310 (±635), 3 percent higher than the 1985 median of $26,450 (±589).
- Older persons had very stable incomes relative to younger persons. Seventy-six (±2.7) percent of persons 65 years old and over were in the same quintile in both 1985 and 1986, compared with 61 (±3.1) percent of persons 18 to 24 years old.
- The likelihood of moving out of the lowest family income quintile was highly associated with level of educational attainment. Eleven (±1.3) percent of those not graduating high school moved up from the lowest quintile between 1985 and 1986, while 22 (±2.3) percent of high school graduates, 29 (±3.7)

percent of persons with some college, and 37 (±6.0) percent of persons with 4 or more years of college moved out of the lowest quintile of the income distribution.

Changes in Income-to-Poverty Ratios

- The ratio of a person's family income to the poverty threshold for a family of the same size and composition is a measure that takes account of differences in living expenses. The mean income-to-poverty ratio for all persons was 3.53 (±.06) in 1986, slightly higher than the 1985 mean of 3.43 (±.06).
- For all persons, about one-fourth (23 ±.9 percent) had relatively stable incomes between 1985 and 1986; that is, their income-to-poverty ratio changed less than 5 percent in either direction. Thirty (±1.0) percent of the population experienced decreases between 1985 and 1986 of 5 percent or more, while 47 (±1.1) percent experienced increases of 5 percent or more.
- The distribution of income-to-poverty ratios for all persons shows that 10 (±.6) percent of the population lived in families with incomes below their poverty thresholds in 1986 while 42 (±1.1) percent lived in families with incomes between one and three times the poverty threshold, and 48 (±1.0) percent lived in families with income three or more times greater than their poverty threshold.
- Persons who changed residence over the 1985-86 period had a lower mean income-to-poverty ratio than persons who remained at the same address. The mean income-to-poverty ratio for non-movers was 3.63 (±.08) in 1986, compared with 3.23 (±.14) for those who moved to a new address between 1985 and 1986.
- Family stability is associated with higher mean income-to-poverty ratios. The mean income-to-poverty ratio in 1986 of persons who changed family type between 1985 and 1986 (3.00 ±.21) was significantly lower than the ratio of those with no change in family type (3.56 ±.06).
- Marital status changes are less important for men than for women. Men who remained married across the period had an income-to-poverty ratio in 1986 that was not different from that of men who became divorced in 1986. Married women with no marital status change were in families with mean income-to-poverty of 4.09 (± .08), while women whose marital status changed to divorced over the period had an income-to-poverty ratio of 2.34 (±.22).

Changes in Poverty Status

- About 23.8 (±2.9) percent of persons who were poor in 1985 were not poor in 1986. This "exit" rate for the 1985-86 period was not significantly different from the exit rate between 1984-85 of 24.5 (±2.3) percent.
- About 17.9 (±3.7) percent of persons with an income-to-poverty ratio of 1.00 to 1.24 in 1985 became poor in 1986, compared with only 1.8 (±.3) percent of persons with an income-to-poverty ratio above 1.25 in 1985.
- Poor persons with an income-to-poverty ratio between .75 and .99 had a much higher exit rate in 1985—42.5 (±5.5) percent— than the poor whose ratio was below .75—13.4 (±2.8) percent.
- About 28.3 (±3.8) percent of Whites who were poor in 1985 were able to exit poverty by 1986, compared with 16.5 (±3.7) percent of Blacks and 14.8 (±6.0) percent of persons of Hispanic origin.
- Children and the elderly were the least likely age groups to exit poverty between 1985 and 1986.
- Changing residences was associated with a higher poverty exit rate. About 21.5 (±3.3) percent of poor persons who did not change residence exited in 1986, compared with 28.6 (±5.3) percent for persons who moved, and 37.6 (±11.4) percent for persons who moved to a different State.
- Although poor persons in married-couple families in both 1985 and 1986 had a higher exit rate from poverty than persons in other stable familial living arrangements, 52.8 (±7.0) percent of persons who became poor in 1986 were in married-couple families in both years.
- About 41.9 (±17.1) percent of poor persons in 1985 who worked year-round, full-time in both 1985 and 1986 were able to exit poverty in 1986, a figure not significantly different from the 41.5 (±8.1) percent for persons who worked but less than year-round, full-time in both years.
- The number of workers in the family was strongly associated with the exit rate: only 10.2 (±2.9) percent of the poor in 1985 whose household had no workers in either 1985 or 1986 exited poverty in 1986, compared with 33.0 (±6.1) percent of those with one worker in both years.

YEAR-TO-YEAR CHANGES IN INCOME: 1985-86

There are several ways of analyzing changes in income data over time. In this report we look at (a) changes in family income of persons, without adjusting for family size differences; (b) changes in a family's income quintile; (c) the distribution of income-to-poverty ratios; (d) changes in income-to-poverty ratios over time.

Distribution of Family or Individual Income by Selected Characteristics: 1985 and 1986

Distributions of persons by family income for the years 1985 and 1986 (in 1986 dollars) are shown in table 1. The median family income in 1986 was $27,310,

3 percent higher than the 1985 median of $26,450.[1] (See table A.)

Age. There were significant differences in the distribution and summary measures of family income for various subgroups of the population in each of the years. Persons 65 years and over were significantly more likely to live in families with incomes under $10,000 than the general population. (See table 1.) Twenty-nine percent of persons 65 years and over and 38 percent of persons 75 years and over lived in families with incomes under $10,000 in 1986, compared with only 13 percent of the general population. The median family incomes in 1986 of persons 65 years and over was $14,500, about one-half of the overall median.

[1]The data in this report are presented for persons. Income refers to family income for persons in families and individual income for unrelated individuals. A comparison of SIPP and CPS estimates of median family/individual incomes of persons is presented in table K of the Technical Note.

Table A. **Median Family or Individual Income of Persons: 1985 and 1986**

Characteristic	Number (thous.)	Median income			
		1985		1986	
		Value	Standard error	Value	Standard error
All persons	226,477	$26,450	$368	$27,310	$397
AGE[1]					
Under 18 years	59,237	26,525	687	28,045	803
Under 6 years	18,123	23,941	869	25,137	1051
18 to 24 years	25,673	27,689	1308	27,306	1193
25 to 44 years	71,918	28,670	694	30,269	484
45 to 64 years	43,888	30,881	879	30,976	781
65 years and over	25,761	14,592	610	14,500	619
75 years and over	9,655	12,000	635	11,992	651
RACE AND HISPANIC ORIGIN					
White	192,194	28,092	447	28,962	474
Black	26,954	17,400	665	17,822	669
Hispanic[2]	15,705	19,297	1187	20,277	940
EDUCATIONAL ATTAINMENT					
Persons 18 years and over	167,240	26,421	228	27,053	240
Not a high school graduate	41,126	15,398	300	15,551	319
High school graduate,no college	58,438	25,509	303	26,067	322
1 to 3 years of college	38,337	32,819	405	32,962	410
4 or more years of college	29,339	39,449	701	41,161	489
REGION[1]					
Northeast	45,921	28,338	1011	29,816	941
Midwest	60,957	28,394	807	29,097	839
South	76,437	23,673	485	24,248	530
West	43,163	27,841	911	28,819	995
TYPE OF RESIDENCE[1]					
Inside metropolitan area	170,756	28,446	491	29,621	510
Inside central city	66,100	23,458	541	24,199	597
Outside central city	104,656	31,523	449	32,345	479
Outside metropolitan area	55,721	21,951	475	22,459	483
FAMILY SIZE[1]					
One person	28,291	12,606	463	12,849	487
Two persons	50,273	22,638	502	22,673	525
Three persons	41,321	30,133	802	30,168	790
Four persons	54,386	32,369	589	33,879	645
Five persons	29,892	31,865	828	32,917	843
Six persons or more	22,313	29,512	1247	30,689	1265

[1] Age, region, type of residence, and family size are as of December 1985.
[2]Persons of Hispanic origin may be of any race.

Race and Hispanic origin. There were also differences in distributions of income by race and Hispanic origin.[2] A significantly higher proportion of Black persons lived in families with incomes under $10,000 than White persons. Twenty-eight percent of Black persons lived in families with incomes under $10,000 in 1986, compared with 11 percent of White persons. The percentage of persons of Hispanic origin in this category was 24 percent (not significantly different from that of Blacks). The Black-to-White median family income ratios of persons in 1986 was .62, about the same as the 1985 ratio. The Hispanic-to-White income ratio (.70) also remained unchanged between 1985 and 1986.

Educational attainment. Family income distributions were also very different for persons with different educational backgrounds. Of persons 18 years and over who did not complete high school, 29 percent lived in families with incomes under $10,000 in 1986. (See table 1.) The comparable percentages for those who graduated from high school (but did not attend college) and those with 4 or more years of college were 10 percent and 4 percent, respectively. In contrast, 36 percent of all persons with four or more years of college lived in families with incomes of $50,000 or more in 1986, compared with 15 percent of persons with only a high school education, and 6 percent of persons who did not complete high school. The median family income in 1986 of persons who completed 4 or more years of college ($41,161) was more than 50 percent higher than the comparable median of those with only a high school education ($26,067) and more than twice that of those who did not graduate high school ($15,551).

Region and type of residence. Family incomes in 1985 and 1986 were somewhat differently distributed by place of residence. By region, the South contained the highest proportion of persons with family incomes under $20,000. Thirty-nine percent of all persons in the South were in this income category in 1986, compared with 30 percent of persons in the Midwest and 31 percent of persons in the Northeast and the West. (The latter two percentages are not statistically different). The median family income of persons in the South was $24,248, 13 percent lower than the median family income of all persons ($27,310).

Persons in any region who lived in a metropolitan area were more likely to live in families with incomes under $10,000 if they resided in central cities. Eighteen percent of persons living in central cities had family incomes in this category in 1986, compared with 8 percent of persons in metropolitan areas living outside central cities. The percentage of nonmetropolitan residents in this income category was not significantly different from the percentage of central city residents (16 percent).

[2]Persons of Hispanic origin may be of any race but the vast majority are included in the White category in SIPP.

Year-to-Year Changes in Family or Individual Income Quintiles

The family income quintiles shown in table 2 represent all persons divided into five equal groups based on their family income in 1985. Persons are further characterized by whether or not they were in that same quintile in 1986. The percentage of persons moving either to a lower or higher quintile is also displayed. Overall, 34 percent of all persons changed to a different quintile, 16 percent moving up and 18 percent moving down one or more quintiles. Between 1985 and 1986 individuals were more likely to fall from the highest quintile than they were to move up from the lowest. Of those persons in the lowest quintile in 1985, 18 percent moved into a higher quintile the following year, whereas, of those persons in the highest quintile in 1985, 24 percent fell into a lower quintile in 1986. (See table B.)

Age. These changes in family income quintiles are further displayed by various characteristics. Table 2 shows which groups moved up in the income distribution and which moved down. For example, young people were more likely to be moving up from the lowest quintile than older persons. Thirty-five percent of persons 18 to 24 years who were in the lowest quintile in 1985 moved to a higher quintile in 1986. The comparable percentage for persons aged 45 to 64 and 65 years and over were 13 percent and 7 percent, respectively. These percentages reflect the general tendency of older persons to have more stable incomes relative to younger persons. Seventy-six percent of persons 65 years and over were in the same quintile in both years, compared with 61 percent of persons aged 18 to 24 years.

Table B. **Year-to-Year Changes in Family Income Quintiles: 1985 to 1986**

Quintile	Total (thous.)	Upper dollar limit	Declined 1 or more quintiles	Same quintile	Increased 1 or more quintiles
All persons.	226,477	(X)	17.8	66.5	15.8
Lowest fifth ..	45,295	$13,109	(X)	81.6	18.4
Second fifth ..	45,296	22,041	15.2	62.1	22.7
Third fifth	45,296	31,638	22.8	55.3	21.9
Fourth fifth ...	45,295	46,363	26.2	57.0	16.8
Highest fifth ..	45,295	(X)	23.7	76.3	(X)

X Not applicable.

Educational attainment. Changes in family income quintiles were highly associated with level of educational attainment. Persons without a high school education were much less likely to climb out of the lowest quintile than other groups with higher levels of educational attainment. Eleven percent of these persons moved up from the lowest quintile over the year, while 22 percent of high school graduates, 29 percent of persons with some college, and 37 percent of persons with 4 or more years of college, moved higher in the income distribution. Conversely, of those in the highest income quintile, those with less education were more likely to fall into lower income categories. Thirty-three percent of persons without a high school education but in the highest income quintile were in a lower income quintile in 1986 than in 1985. The comparable percentage for persons with four or more years of college was 17 percent.

Family size. Changes in family income were also associated with family size. Persons who were living alone as of December 1985 tended to have more stable incomes than the general population over the period. Seventy-one percent of unrelated individuals were in the same income quintile in both 1985 and 1986, compared with 67 percent of all persons. But of those unrelated individuals who did change income quintile, many became worse off. Twenty-two percent of those who were in the second fifth fell into the lowest income quintile, compared with 15 percent of all persons in this quintile. Forty-eight percent of unrelated individuals in the highest quintile in 1985 moved to a lower one in the following year. In comparison, 20 percent of persons who lived in a family of 5 or more persons fell from the highest quintile to a lower one.

Distribution of Income-to-Poverty Ratios: 1985 and 1986

Interpersonal comparisons of family income are important measures of general welfare, allowing comparison of the flow of resources available to family members over time. However, it does not indicate, for a given individual, the number of other family members with whom the income must be shared. A member of a four-person family with total family income of $20,000 is not as well-off as a single person making $20,000, since this single individual need not share that income with three other persons.

In order to measure differences in income while accounting for changes in family size and composition, one could use per capita family income. This would eliminate differences based on family size, but does not take account of economies of scale available to family members living together, arising from the sharing of rent and other fixed expenses which allow two people to live more cheaply together than separately. To account for economies of scale in the comparative measure used here, family incomes have been adjusted by using poverty thresholds as an "equivalence scale".[3] For example, each person in a four-person family with an income in 1986 of $20,000 would have an income-to-poverty ratio of 1.79 (i.e., $20,000/$11,203). A person living alone in 1986 with an income of $20,000 would have a much higher ratio of 3.59. A ratio under 1.00 implies that the person was below the poverty level during the calendar year. Income-to-poverty ratios, presented in table C and in tables 3 and 4, control for family size and economies of scale, enabling more reasonable comparisons of economic circumstances between individuals.

Income-to-poverty ratios are useful for comparing the economic circumstances of different groups of persons, assuming that families share income and that the economies of scale implied by the derivation of poverty thresholds are valid for all groups of persons. This measure is also useful when we examine the economic circumstances of the same person over time. In terms of income change over time, a person's family income could decrease while the family's income-to-poverty ratio remained the same, if there was a decline in family size. For example, the member of a four-person family with total family income of $20,000 in 1985, who became a member of a two-person family with total income of $13,000 in 1986, would be characterized as having no change in economic circumstances using income-to-poverty ratios (the income-to-poverty ratio is 1.82 in both cases). In terms of family income alone, this person would be characterized as experiencing a large decline in economic circumstances. The use of income-to-poverty ratios, rather than family income alone, to examine changes over time is based on the assumption that the sharing of resources among family members affects a person's economic well-being. Income-to-poverty ratios were calculated for each calendar year by dividing the summed monthly family income of each person by the appropriate summed monthly poverty threshold.

The distribution of income-to-poverty ratios for all persons shows that 10 percent of the population lived in families with incomes below their poverty threshold. (See table 3.) The second category, containing 42 percent of the population, included persons who lived in families with incomes between one and three times the poverty threshold in 1986. Twenty-nine percent had an income-to-poverty ratio between 3.00 and 4.99, and 19

[3]Equivalence scales are used generally to bring the incomes of households or families of different size and composition to the same level of economic well-being. For information about assumptions implicit in poverty thresholds see Orshansky, Mollie, "Counting the Poor: Another look at the Poverty Profile", reprinted from January 1965 in *Social Security Bulletin,* October 1988. Volume 51, Number 10. Pages 25-51.

Table C. **Mean Income-to-Poverty Ratios of Persons: 1985 and 1986**

Characteristic	Number (thous.)	Mean income-to-poverty ratios			
		1985		1986	
		Value	Standard error	Value	Standard error
All persons	226,477	3.43	0.04	3.53	0.04
AGE					
Under 18 years	59,237	2.72	0.06	2.84	0.07
Under 6 years	18,123	2.52	0.09	2.58	0.10
18 to 24 years	25,673	3.35	0.10	3.45	0.10
25 to 44 years	71,918	3.55	0.07	3.69	0.07
45 to 64 years	43,888	4.37	0.12	4.47	0.12
65 years and over	25,761	3.25	0.18	3.16	0.13
75 years and over	9,655	3.03	0.38	2.90	0.23
RACE AND HISPANIC ORIGIN					
White	192,194	3.63	0.05	3.72	0.05
Black	26,954	2.10	0.04	2.18	0.04
Hispanic[1]	15,705	2.11	0.09	2.21	0.10
EDUCATIONAL ATTAINMENT					
Persons 18 years and over	167,240	3.69	0.03	3.78	0.03
Not a high school graduate	41,126	2.36	0.03	2.41	0.04
High school graduate, no college	58,438	3.40	0.04	3.48	0.04
1 to 3 years of college	38,337	4.17	0.06	4.23	0.06
4 or more years of college	29,339	5.48	0.09	5.68	0.09
REGION					
Northeast	45,921	3.56	0.10	3.82	0.12
Midwest	60,957	3.51	0.07	3.58	0.07
South	76,437	3.16	0.07	3.21	0.07
West	43,163	3.67	0.12	3.72	0.10
TYPE OF RESIDENCE					
Inside metropolitan area	170,756	3.62	0.05	3.73	0.05
Inside central city	66,100	3.20	0.08	3.35	0.09
Outside central city	104,656	3.88	0.07	3.97	0.06
Outside metropolitan area	55,721	2.87	0.07	2.92	0.07
FAMILY SIZE					
Persons in family	194,444	3.48	0.04	3.59	0.05
No change in family size	161,444	3.52	0.05	3.66	0.05
Two persons	43,815	4.13	0.12	4.16	0.12
Three persons	33,573	3.82	0.10	3.96	0.10
Four persons	44,408	3.51	0.09	3.76	0.11
Five persons or more	39,648	2.61	0.06	2.74	0.07

[1]Persons of Hispanic origin may be of any race.

percent lived in families with incomes 5.00 or more times greater than their poverty thresholds. The mean income-to-poverty ratio was 3.53 in 1986, a figure slightly higher than that for 1985 (3.43) as also shown in table C. Similarly, as shown in table 1, there was a small statistically significant change in the mean income of all persons over this period.

Sex and age. The distribution of income-to-poverty ratios differs significantly for various subgroups of the population. More females than males have income-to-poverty ratios under 1.00. A higher percentage of young persons (under 18 years) were in families with income-to-poverty ratios below 1.00 than other age groups. Individuals 45 to 64 years were more likely to live in families with income-to-poverty ratios of 5.00 or more than those in any other age group. Over 30 percent of these middle-aged persons were in this category. By comparison, only 8 percent of children under the age of 6 were in families with income-to-poverty ratios of 5.00 or more.

Using income-to-poverty ratios rather than income for comparison between groups of persons can change their relative standing. For example, a comparison of mean incomes in 1986 of persons 65 years and over to persons under 18 years suggests that the elderly persons are less well off. Mean family income of persons 65 years and over was $21,498 versus $33,426 for

persons under 18 years, yielding a ratio of incomes of .64. A similar comparison using income-to-poverty ratios changes our understanding of the relationship. Mean income-to-poverty ratio in 1986 of persons 65 years and over was 3.16, while that of persons under 18 years was 2.84, giving a ratio of 1.11.[4] Thus, when number of persons in the family and economies of scale are taken into account, young persons, who tend to live in larger families, are shown to be, on average, lower in economic status than elderly persons.

Race and Hispanic origin. Whites were more likely to have higher income-to-poverty ratios than Blacks or persons of Hispanic origin. The mean income-to-poverty ratio for Whites in 1986 was 3.72, while for Blacks and Hispanics the mean income-to-poverty ratios were 2.18 and 2.21 respectively (these latter two ratios are not statistically different). While the ratio of Black-to-White mean incomes was .62 in 1986, the ratio of Black to White mean income-to-poverty ratios was .59. Controlling for numbers of persons sharing family incomes resulted in a slight decline in the measure of relative standing of Blacks to Whites in 1986. (This is due to the slightly larger average family size of Blacks versus Whites.)

Educational attainment. Education plays an important role in determining the level of the income-to-poverty ratios; the mean income-to-poverty ratio for persons without a high school education was 2.41, compared with 3.48 for high school graduates, 4.23 for persons with some college education, and 5.68 for persons with 4 or more years of college in 1986.

Region and type of residence. By region, the mean income-to-poverty ratio was lowest for persons living in the South, 3.21 in 1986 versus 3.58, 3.72, and 3.82 for those living in the Midwest, West, and Northeast respectively.[5] Persons living in suburban areas[6] had a mean income-to-poverty ratio of 3.97, higher than the ratio of those residing in nonmetropolitan areas (2.92) or in central cities (3.35).

Changes in these various characteristics were associated with changes in income-to-poverty ratios. Persons who changed residence over the 1985-86 period had a lower mean income-to-poverty ratio than persons who remained at the same address. The mean income-to-poverty ratio for non-movers was 3.63 in 1986, compared with 3.23 for those who moved to a new address and 3.28 for those who moved to a different State (these last two ratios are not significantly different). These differences in mean income-to-poverty ratios were similar in 1985 before individuals had changed residence, suggesting that short term effects on income-to-poverty ratio of moving were negligible. That is, on average, persons who moved over the 2-year period did not improve their positions relative to persons who did not move.

Participation in assistance programs. Persons who participated in major public assistance programs in both 1985 and 1986 had a mean income-to-poverty ratio of 1.11 in 1986; on average, their family incomes were slightly above their respective poverty thresholds. Major assistance programs include Aid to Families with Dependent Children (AFDC), General Assistance, Supplemental Security Income (SSI), food stamps, Medicaid, and public or subsidized housing. Persons who never participated in these programs during the 2-year period had a mean income-to-poverty ratio of 3.93. Individuals who participated in programs in 1985, but not in 1986, experienced an increase in their mean income-to-poverty ratio from 1.79 in 1985 to 2.02 in 1986; 59 percent of these 1985 program participants experienced an increase in their income-to-poverty ratio of 5 percent or more in 1986 (See table D), compared with 47 percent of all persons. On the other hand, individuals who were not in programs in 1985, but began participation in 1986, experienced a decline in their mean income-to-poverty ratio over this time (from 2.03 to 1.71), with 54 percent of these persons experiencing a 5 percent or more decline in their income-to-poverty ratio between 1985 and 1986, a much larger proportion than that for all persons (30 percent).

Family size and composition. Of persons in families, those in large families (5 or more persons) had the lowest mean income-to-poverty ratio in 1986 (2.74). Family size[7] directly affects income-to-poverty ratios since poverty thresholds are based largely on number of persons in a family. Consequently, when family size increases, income-to-poverty ratios decline by definition, unless a compensating change in income occurs at the same time. Individuals who experienced a change in the number of family members over the 2-year period had a slightly lower income-to-poverty ratio than those whose family size remained the same. Forty-three percent of persons whose family size changed experienced declines in their income-to-poverty ratios of 5 percent or more in 1986 (See table D). This compares with 28 percent of stable families. On the other hand, a smaller percentage of those in changing families experienced increases, 41 percent versus 49 percent of persons in families with no change in family size.

[4]This result is due in part to the assumptions implicit in the poverty thresholds about elderly persons. Poverty thresholds are lower for persons 65 years and over.

[5]The ratio for the West was not significantly different from that for the Midwest or the Northeast.

[6]Suburban areas are defined as territory within metropolitan areas but outside central cities.

[7]In tables 1 and 2, individuals were classified in the family-size category as of December 1985. In tables 3, 4, and 5 family size is based on most common status in each calendar year.

Table D. **Distribution of Percent Change in Income-to-Poverty Ratios, by Program Participation and Family Size: 1985-86**

(Numbers in thousands)

Characteristic	Total	Declined 5 percent of more			Change less than 5 percent	Increased 5 percent or more		
		Total	5-19 percent	20 percent or more		Total	5-19 percent	20 percent or more
PROGRAM PARTICIPATION								
No change in participation	216,960	30.0	12.8	17.2	22.9	47.0	23.5	23.5
Participated both years	25,134	34.1	18.4	15.7	24.9	41.0	15.0	26.0
Did not participate both years	191,826	29.5	12.1	17.4	22.6	47.8	24.6	23.2
Change in participation	9,517	37.0	23.5	13.5	15.4	47.6	17.5	30.1
Participant to nonparticipant	5,570	24.8	12.5	12.2	15.9	59.4	21.7	37.7
Nonparticipant to participant	3,947	54.3	39.1	15.2	14.7	31.0	11.6	19.4
FAMILY SIZE								
Persons in family	194,444	30.3	12.7	17.5	22.1	47.6	23.9	23.7
No change in family size	161,444	27.6	10.6	17.0	23.5	48.9	25.3	23.7
Two persons	43,815	30.6	12.1	18.4	28.5	40.9	22.8	18.1
Three persons	33,573	27.6	9.8	17.8	24.4	48.0	22.8	25.2
Four persons	44,408	24.6	9.1	15.6	21.2	54.2	26.6	27.6
Five persons or more	39,648	27.7	11.4	16.3	19.6	52.6	28.6	24.1
Change in family size	33,000	43.3	23.1	20.2	15.5	41.3	17.4	23.8
Two persons in 1985, more in 1986	4,322	48.8	25.4	23.3	15.1	36.2	8.7	27.5
Three persons in 1985, more in 1986	5,038	52.6	28.7	23.9	16.1	31.3	13.3	18.0
Four persons in 1985, more in 1986	3,462	49.5	27.4	22.1	13.0	37.6	15.8	21.7
Five persons or more in 1985, more in 1986	3,188	36.3	11.9	24.4	21.5	42.2	11.2	30.9
Three persons in 1985, two persons in 1986	3,078	52.3	26.8	25.5	17.8	29.9	17.8	12.1
Four persons in 1985, less in 1986	5,127	35.8	20.3	15.5	12.4	51.8	24.6	27.1
Five persons or more in 1985, less in 1986	8,785	36.6	21.6	14.9	15.0	48.4	22.6	25.8

Family status or type of family[8] is also associated with income-to-poverty ratios. Persons in a married couple family the entire period had a higher mean income-to-poverty ratio than persons in other family types in 1986, 3.88 versus 2.24. Those who changed family type over the period had a lower mean income-to-poverty ratio than those who did not change, 3.00 versus 3.56.

Marital status[9] itself is associated with differences in income-to-poverty ratio. Of those whose marital status did not change over the period, persons who were married had the highest mean income-to-poverty ratio (4.10) while those who were separated for the entire period had the lowest (1.95) in 1986. Persons who became married over the period experienced an increase in mean income-to-poverty ratio from 3.53 in 1985 to 3.95 in 1986.

These changes in marital status had a much larger effect on the income-to-poverty ratios of women than of men. Marital status changes had virtually no impact on the income ratios for men, but had a large effect on the ratios for women. Men who changed marital status to married in 1986 experienced no change in income-to-poverty ratio (4.06 in 1985 and 4.14 in 1986). For women who became married, mean income-to-poverty ratio increased from 2.99 in 1985 to 3.76 in 1986. Men who remained married across the period had an income-to-poverty ratio in 1986 of 4.10, while men who became divorced in 1986 had an income-to-poverty ratio of 3.97 in 1986, not significantly different from 4.10. Married women with no marital status change were in families with mean income-to-poverty ratios of 4.09, while women whose marital status changed to divorced over the period had an income-to-poverty ratio of 2.34 in 1986.

Percent changes in income-to-poverty ratios between 1985 and 1986 (See table E) show that males who became divorced in 1986 were more likely to experience an increase in their income-to-poverty ratio over the period than men who remained married. Sixty-five percent of these men experienced a 5 percent or more increase. This compares with 46 percent of those who were married in both years. Women who became divorced were much more likely than men to experience a decline in income-to-poverty ratios. Fifty percent of women who became divorced in 1986 experienced a decline of 5 percent or more, compared with 30 percent of women who remained married over the 2-year period.

[8]Persons are classified in the type of family category based on the most common status in each calendar year.

[9]Persons are classified in a marital status category based on the most common status in each calendar year.

Table E. **Distribution of Percent Change in Income-to-Poverty Ratios, by Sex and Marital Status: 1985-86**
(Numbers in thousands)

Characteristic	Total	Declined 5 percent of more			Change less than 5 percent	Increased 5 percent or more		
		Total	5-19 percent	20 percent or more		Total	5-19 percent	20 percent or more
Males, 18 years and over	78,733	30.6	13.2	17.4	22.8	46.6	22.9	23.7
No change in marital status	75,584	30.4	13.0	17.5	23.2	46.4	23.1	23.3
Married	50,965	30.3	12.2	18.1	23.4	46.3	24.7	21.6
Widowed	1,367	32.3	12.7	19.7	41.5	26.1	13.2	12.9
Divorced	4,064	34.8	18.0	16.8	22.8	42.4	19.0	23.4
Separated	827	30.4	12.8	17.5	23.6	46.1	20.0	26.1
Never married	18,362	29.6	13.9	15.6	21.4	49.1	20.6	28.5
Change in marital status	3,148	35.1	19.7	15.4	13.6	51.3	18.4	32.9
Status in 1985:								
Married	963	33.3	16.0	17.3	17.1	49.5	14.2	35.3
Divorced	531	37.3	21.3	16.2	11.9	51.0	23.0	27.9
Separated	412	28.9	19.9	9.0	11.7	59.5	32.0	27.4
Never married	1,190	38.6	22.1	16.5	12.0	49.5	15.0	34.5
Status in 1986:								
Married	1,857	38.9	23.3	15.6	12.0	49.1	16.7	32.4
Widowed	178	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Divorced	693	26.3	14.6	11.7	8.8	64.8	31.9	32.9
Separated	421	28.5	12.8	15.7	21.6	49.9	9.5	40.4
Females, 18 years and over	88,507	30.0	13.1	16.8	24.4	45.6	22.7	22.9
No change in marital status	84,872	29.5	12.7	16.8	25.0	45.6	23.3	22.2
Married	50,042	30.1	12.3	17.8	23.6	46.3	24.5	21.8
Widowed	10,421	27.5	10.6	16.9	37.7	34.8	20.3	14.5
Divorced	6,825	30.2	14.7	15.5	23.9	45.9	22.3	23.5
Separated	1,893	25.7	12.8	12.8	25.2	49.2	18.0	31.2
Never married	15,690	28.9	14.2	14.7	21.4	49.7	22.7	27.0
Change in marital status	3,635	41.2	24.3	16.9	11.7	47.0	9.0	38.0
Status in 1985:								
Married	1,214	71.6	42.8	28.7	10.0	18.4	7.7	10.6
Divorced	435	8.5	4.6	3.7	7.6	83.9	4.1	79.8
Separated	768	33.7	17.6	16.1	13.5	52.9	17.2	35.7
Never married	1,171	28.6	17.9	10.7	14.4	57.0	7.2	49.8
Status in 1986:								
Married	1,787	22.0	14.0	8.1	11.2	66.7	5.6	61.1
Widowed	433	68.8	48.7	20.1	9.9	21.5	8.8	12.7
Divorced	854	49.5	24.2	25.3	17.7	32.8	13.5	19.3
Separated	561	68.6	38.9	29.8	5.7	25.7	13.4	12.3

Differences in mean income-to-poverty ratios were also associated with changes in position in the family[10]. Individuals were classified by their relationship to the reference person or householder, such as spouse, child, other relative, or nonrelative. Persons who were classified as spouse of the reference person had the highest income-to-poverty ratio of any relation-to-reference-person classification (4.13).[11] The lowest (2.35) belonged to persons who were nonrelatives. Persons who experienced a change over the period in household relationship experienced, on average, a decrease in their mean income-to-poverty ratio, from 3.15 in 1985 to 2.94 in 1986. For example, young persons moving out on their own, changing from being a child to a householder, experienced a decline in income-to-poverty ratio from 4.25 in 1985 to 2.97 in 1986.

Work experience and number of workers. Of persons 18 years and over, those who were year-round, full-time workers in both 1985 and 1986 had the highest income-to-poverty ratio of any work experience group, 4.76 in 1986. Persons whose work activity increased from not year-round, full-time to year-round, full-time experienced an increase in income-to-poverty ratio from 3.40 in 1985 to 3.86 in 1986. Those who changed from working year-round, full-time to not year-round, full-time experienced a decline in their income-to-poverty ratio from 3.77 in 1985 to 3.46 in 1986.

The mean income-to-poverty ratio ranged from 2.04 for families with no workers to 4.81 for families with three or more workers. Persons in families that had no

[10]Persons are classified in a relationship-to-reference-person category based on the most common status in each calendar year.

[11]The relationship-to-reference-person categories are dependent upon family type. For example, the result that the category "spouse" has the highest mean income-to-poverty ratio reflects the fact that this is a married-couple family which itself has the highest mean income-to-poverty ratios of other family types.

change in the number of workers had the same income-to-poverty ratio as those that had a change in the number of workers, however, 39 percent of persons in families which had a change in the number of workers experienced a decline in income-to-poverty ratio of 5 percent or more between 1985 and 1986. (See table 4.) This compares with 28 percent of persons with no change.

Distribution of Percent Change in Income-to-Poverty Ratios: 1985 and 1986

Tables F and 4 show the percentage of persons who experienced a change in income-to-poverty ratios of under 5 percent, over 5 percent and over 20 percent. These changes are presented by level of income-to-poverty ratios for 1985 and by various characteristics. For all persons, about one-fourth (23 percent) had relatively stable incomes; that is, their income-to-poverty ratio changed less than 5 percent in either direction. Forty-seven percent of all persons experienced an increase in their income-to-poverty ratio of 5 percent or more and 24 percent had an increase of more than 20 percent. Fewer persons lived in families with a declining ratio; only 30 percent of all persons experienced a decline over 5 percent and 17 percent experienced a decline of 20 percent or more.

These changes in income-to-poverty ratios in either direction differed by level of income-to-poverty ratio in each year. In general, persons who lived in families with low ratios in 1985 were more likely to experience an increase in 1986, while persons in families with higher ratios in 1985 were more likely to experience a decline over the 2-year period.

Persons with income-to-poverty ratios of 5.00 or more in 1985. Eighteen percent of the population in 1985 and 19 percent of the population in 1986 were in families with incomes 5 times the poverty threshold or more. This represents an annual income of $27,345 or more for a one-person family and an income of $54,945 for a four-person family in 1985; 20 percent of Whites were in this category, compared with only 6 percent of Blacks and persons of Hispanic origin.

Thirty-nine percent of persons in this category experienced declines in their family income-to-poverty ratio of 5 percent or more, compared with 30 percent of the general population. Some of the persons with income-to-poverty ratios over 5.00 in 1985 improved their economic well-being in 1986 relative to the general population. Forty-two percent of persons with 4 or more years of college increased their income-to-poverty ratios over the period by 5 percent or more, compared with 39 percent of all persons in this category. Persons in this category were more likely than the general population to experience an increase in income-to-poverty ratio of 5 percent or more if they lived in the Northeast (45 percent); the comparable percentages of 35 percent for those in the Midwest, 34 percent for the South, and 42 percent for the West were not significantly different from that for all persons with income-to-poverty ratios over 5.00.

Persons with income-to-poverty ratios of 3.00 to 4.99 in 1985. In 1985, 28 percent of all persons were in families with income-to-poverty ratios between 3.00 and 4.99. Persons with income-to-poverty ratios between 3.00 and 4.99 were less likely than the general population to experience increases in their income-to-poverty ratios of more than 5 percent: 43 percent versus 47 percent of all persons. Certain characteristics, however, are associated with a higher than average likelihood of improving one's economic circumstances.

Education, highly associated with income increases at all levels, is important for this group as well. Fifty-three percent of persons with 4 or more years of college experienced an increase in their income-to-poverty ratio over the period of 5 percent or more. The comparable percentage for persons who did not finish high school was 34 percent.

Persons in this group living in the Northeast in December of 1985 were also more likely to be in this upwardly mobile group than residents of the South; 49 percent versus 38 percent in the South.

Persons in this group were also very likely to improve their economic circumstances when family or work experience changes occurred. Eighty-six percent of

Table F. **Distribution of Percent Change in Income-to-Poverty Ratios: 1985-86**

(Numbers in thousands)

Characteristic	Total	Declined 5 percent of more			Change less than 5 percent	Increased 5 percent or more		
		Total	5-19 percent	20 percent or more		Total	5-19 percent	20 percent or more
All persons	226,477	30.3	13.3	17.1	22.6	47.1	23.3	23.8
Income-to-poverty ratios, 1985:								
Less than 1.00	23,603	25.4	13.8	11.6	22.3	52.2	12.7	39.5
1.00 to 2.99	97,750	26.8	11.7	15.1	21.4	51.8	23.9	28.0
3.00 to 4.99	64,147	32.3	12.2	20.1	24.4	43.3	26.3	17.0
5.00 or more	40,977	38.7	18.6	20.1	22.7	38.7	23.2	15.5

those persons who changed from living as an unrelated individual in 1985 to becoming a member of a family improved their income-to-poverty ratio 5 percent or more. Changes in work experience were also very important for this group with income-to-poverty ratio between 3.00 and 4.99. Fifty-nine percent of persons in this category who changed from working not year-round, full-time in 1985 to year-round, full-time in 1986 experienced an increase in their family income-to-poverty ratio of 5 percent or more. Seventy-one percent of persons in families that increased the number of persons working from one worker in 1985 to more workers in 1986 experienced an increase in their income-to-poverty ratio of 5 percent or more; 43 percent increased by 20 percent or more.

Persons with income-to-poverty ratios of 1.00 to 2.99. Forty-three percent of the population lived in families with an income-to-poverty ratio between 1.00 and 2.99 in 1985. For a one-person family this represents an annual income between $5,469 and $16,352 in 1985; for a four-person family the comparable range was $10,989 to $32,857. Persons in this category in 1985 were more likely than the general population to experience an increase in family income-to-poverty ratio, 52 percent versus 47 percent of all persons. However, certain individuals in this income-to-poverty ratio category were more susceptible to experiencing a decline in their economic circumstances.

Blacks and persons of Hispanic origin, at least half of whom were in families with income-to-poverty ratios between 1.00 and 2.99 in 1985, were more likely to experience a decline in their income-to-poverty ratio than Whites in this category; 30 percent of Blacks and 33 percent of Hispanics versus 26 percent of Whites. (The percentage for Blacks in this category is not significantly different from that for persons of Hispanic origin.) Persons who participated in major public assistance programs in both 1985 and 1986 and those who became participants over the period were also more likely to experience a decline in their income-to-poverty ratio of 5 percent or more; 40 and 58 percent, respectively. The comparable percentage for all persons in this income category was 27 percent.

Movers in families with income-to-poverty ratios between 1.00 and 2.99 were more likely to experience a decline in their income-to-poverty ratio over 5 percent; 30 percent of persons who changed address and 33 percent of persons who moved to a new State experienced declines of more than 5 percent (these two percentages were not significantly different from one another). The comparable percentage for nonmovers was 26 percent. Other changes were associated with falling ratios for persons in the 1.00 to 2.99 category; changes in family size such as changing from a three-person family to one with more persons (50 percent), changes in family type such as leaving a married couple family (69 percent).

Among the transitions in labor force attachment that were associated with declining income-to-poverty ratios were changing from year-round, full-time to not year-round, full-time (49 percent) and from living in a family with one worker to one with no workers (73 percent). In general, these changes were associated with declines in general welfare for persons of modest means over the period.

MOVEMENT INTO AND OUT OF POVERTY: 1985-86

The preceding income section dealt with persons distributed along the whole income distribution. This section focuses on those persons below the poverty level in 1985 (that is persons whose family income, or personal income in the case of unrelated individuals, was less than their appropriate poverty threshold—indicated by an income to poverty ratio below 1.00). Factors associated with an increased likelihood of exiting poverty between 1985 and 1986 are discussed. Also mentioned are some of the characteristics of persons who had been above the poverty level in 1985 whose income was below the poverty level the next year.

Although the majority of persons who were poor in 1985 were still poor the following year, 23.8 percent of poor persons in 1985 were not poor by 1986 (see table G). This poverty "exit" rate for the 1985-86 period was not significantly different from the exit rate between 1984-85 (24.5 percent). Even though a significant fraction of the 1985 poverty population was able to exit poverty in the following year, the total number of poor persons in 1986 was not significantly different from the 1985 figure because of the addition of persons who were poor in 1986 who had not been poor in 1985.[12] Such persons represented 22.9 percent of the poor in 1986 (See table H).

Distance Above or Below the Poverty Level

It is important to know how far above or below the poverty level individuals are to get a notion of the relative economic status as well as how long a household income has been above or below the poverty

[12]Some of these persons became poor or escaped poverty not because of a change in their personal income but because of a change in their family status, or a combination of both. For example, a four-person family with total income of $10,000 in 1985 would have been poor. If one of the family members who earned $6,000 left the family to live by him or herself, he or she would not be poor in 1986 if their earnings did not change, while the rest of the family members in 1985—assuming no other income change—would still be poor. Changes in family composition are discussed in more detail in the section on family size.

Table G. **Distribution of Persons, by Poverty Status in 1985 and in 1986**
(Numbers in thousands)

Ratio of income to poverty level in 1985	Total		Ratio of income-to-poverty level in 1986					
			Below 1.00			Above 1.00		
	Number	Percent	Total	Below .75	.75 to .99	Total	100 to 1.24	1.25 or more
Total	226,477	100.0	10.3	6.4	3.9	89.7	4.1	85.6
Below 1.00 in 1985	23,603	100.0	76.2	52.8	23.4	23.8	10.3	13.4
Below .75 in 1985	15,154	100.0	86.6	72.6	14.0	13.4	5.9	7.5
.75 to .99 in 1985	8,449	100.0	57.5	17.3	40.2	42.5	18.4	24.1
Above 1.00 in 1985	202,874	100.0	2.6	1.0	1.6	97.4	3.4	94.0
1.00 to 1.24 in 1985	11,166	100.0	17.9	4.3	13.5	82.1	31.1	51.0
1.25 or more in 1985	191,708	100.0	1.8	0.8	1.0	98.2	1.8	96.5

level.[13] The gauge of distance from the poverty level that is used here is the same as used in the previous income section—the ratio of family income (or personal income in the case of unrelated individuals) to the poverty level. Persons whose income was close to the poverty level— either above or below it—had a much higher probability of changing statuses. For example, 17.9 percent of persons with income just above the poverty level in 1985 (that is with a poverty ratio of 1.00 to 1.24) became poor in 1986, compared with only 1.8 percent of persons with an income-to-poverty level ratio above 1.25 in 1985.[14] Looking at persons who were poor in 1985, those whose ratio of income-to-poverty level was relatively close to the poverty line (i.e., between .75 and .99) had a much higher exit rate in 1986 (42.5 percent) than poor persons in 1985 with a ratio below .75 (13.4 percent).[15]

Overall, the majority of persons who exited poverty between 1985 and 1986 had an income-to-poverty ratio

[13]The length of the reference period is an important issue in the analysis of poverty statistics. Whether the poverty level incomes of these persons will continue beyond a 2-year period cannot be assessed from SIPP data. In addition, we do not know when the poverty spell for many of these persons began except those who became poor between 1985 and 1986. Some studies attempt to look at the lifetime experience of the population while other recent studies look at very short time periods. Based on data from the University of Michigan's Panel Study of Income Dynamics, an ongoing longitudinal survey in operation since 1968, about one of four persons in the U.S. was below the poverty level at some time in the 1969-78 period. See Greg J. Duncan, *Years of Poverty, Years of Plenty,* University of Michigan 1984. About 21.8 percent of the population had income below the poverty level in 1 to 7 of the 10 years of study, and 2.6 percent had poverty level income in 8 or more years of the 10-year period. Other studies have looked at poverty status on a monthly basis (using data from the SIPP) since eligibility for means-tested transfer programs such as Aid to Families With Dependent Children (AFDC) or food stamps are based on income (as well as other criteria) for periods of considerably less than a year. Using data from the 1984 SIPP panel file, Ruggles found that 30 percent of persons experienced at least 1 month with income below the poverty level during a 16-month period. See Patricia Ruggles, *Short Term Fluctuations in Income and Their Relationship to the Characteristics of the Low Income Population,* Survey of Income and Program Participation working paper No. 8802, June 1988.

[14]It should be noted however, that 62.7 percent of persons who became poor in 1986 who were not poor in 1985 had a ratio above 1.25 in that year.

[15]In addition, the majority of persons who exited poverty between 1985 and 1986 (63.9 percent) had an income-to-poverty ratio between .75 and .99 even though such persons represented a minority of all poor persons in 1985 (35.8 percent).

Table H. **Distribution of Persons, by Poverty Status in 1986 and in 1985**
(Numbers in thousands)

Income-to-poverty ratios in 1985	Total	Income-to-poverty ratios in 1986					
		Below 1.00			Above 1.00		
		Total	Below .75	.75 to .99	Total	1.00 to 1.24	1.25 or more
Total	226,477	23,340	14,479	8,861	203,137	9,312	193,825
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Below 1.00 in 1985	10.4	77.1	86.1	62.3	2.8	26.2	1.6
Below .75 in 1985	6.7	56.3	76.0	24.0	1.0	9.6	0.6
.75 to .99 in 1985	3.7	20.8	10.1	38.3	1.8	16.7	1.1
Above 1.00 in 1985	89.6	22.9	13.9	37.7	97.2	73.8	98.4
1.00 to 1.24 in 1985	4.9	8.5	3.3	17.1	4.5	37.3	2.9
1.25 or more in 1985	84.6	14.4	10.6	20.6	92.7	36.5	95.4

above 1.25 in 1986. This, coupled with the fact that the majority of persons who became poor had an income-to-poverty level ratio above 1.25 would seemingly indicate a substantial economic or household composition change (beyond the addition or subtraction of a single household member, for example) rather than a minor fluctuation in income was the cause of the poverty status change for the majority of both persons who entered and exited poverty between 1985 and 1986. This is analyzed further below.

Differences in Transition by Selected Characteristics

Race and Hispanic origin. Poor persons who were White were significantly more likely than Blacks or persons of Hispanic origin to exit poverty between 1985 and 1986.[16] About 28.3 percent of Whites who had been poor in 1985 were able to exit poverty by 1986, compared with 16.5 percent of Blacks and 14.8 percent of persons of Hispanic origin.[17] The exit rates between 1985 and 1986 for Whites, Blacks, and Hispanics (respectively) were not significantly different from the comparable exit rates between 1984 and 1985. Unlike poor Blacks, a majority of the poor Whites who exited poverty were able to raise their income above 1.25 of the poverty level in 1986, making it less likely that they would slip back into poverty in the subsequent year.[18] Poor Hispanics who exited were about evenly divided between those above and below the 1.25 level in 1986.

In general, for each racial or ethnic group, persons with an income-to-poverty ratio below .75 had a lower likelihood of exiting poverty than persons with a .75 to .99 ratio. For example, Whites with a ratio below .75 in 1985 had an exit rate in 1986 of 19.2 percent, compared with 41.1 percent of those with a ratio between .75 and .99.

Age. The elderly and children were less likely to exit poverty between 1985 and 1986 than other age groups.[19] Young adults, on the other hand, were more likely than either of these groups to exit poverty during this period. The exit rates were 19.1 percent for children under 18 years, 19.8 percent for persons 65 years and over, and 34.6 percent for persons 18 to 24 years.[20] Young adults were also more likely than children or the elderly to move from poor to an income-to-poverty ratio above 1.25. The relatively transient nature of the poverty of young adults as opposed to these other age groups is tied to such life cycle events as new household formation, completion of education, and first career-oriented employment, all of which can strongly affect income or their appropriate poverty threshold.

Type of residence. A somewhat higher proportion of poor persons living in suburban areas than central cities were able to exit poverty between 1985 and 1986. For the suburban poor the exit rate was 28.3 percent, compared with 20.9 percent in central cities. The exit rate in nonmetropolitan areas (23.8 percent) was not significantly different from that for either cities or suburban areas.

Migration. A higher proportion of persons below than above the poverty line in 1985 moved between 1985 and 1986: 32.2 percent of the poor and 23.4 percent of persons with income above the poverty level had a change in address. Moving was not only associated with higher exit rates between 1985 and 1986 for the poor, but also with a somewhat greater likelihood of becoming poor for persons above the poverty level in 1985. The poverty exit rate between 1985 and 1986 was 21.5 percent for persons who did not change residence, but 28.6 percent for persons who moved, and 37.6 percent for persons who moved to a different State.[21] For persons above the poverty level in 1985, 2.3 percent of nonmovers but 3.8 percent of movers fell below the poverty level in 1986.

Family size and composition. In the March CPS, the Census Bureau collects information on the amount of income received by each person during January through December of the previous year. The calculation of family income, and thus poverty status, in the CPS assumes the family members living together in March existed as a unit throughout the previous calendar year. This, of course, is not necessarily true: A couple could have married or had a child in the January or February directly preceding the March survey, for example. Using the data from SIPP in this report, we are able to determine the poverty status of each person based on their actual living arrangements each month during the period of study. We are then able to compare changes in poverty status of persons who did or did not have a change in family status during the year. In this report

[16]Persons of Hispanic origin may be of any race but the vast majority are included in the White category in SIPP.

[17]The exit rates for Blacks and persons of Hispanic origin were not statistically different from each other.

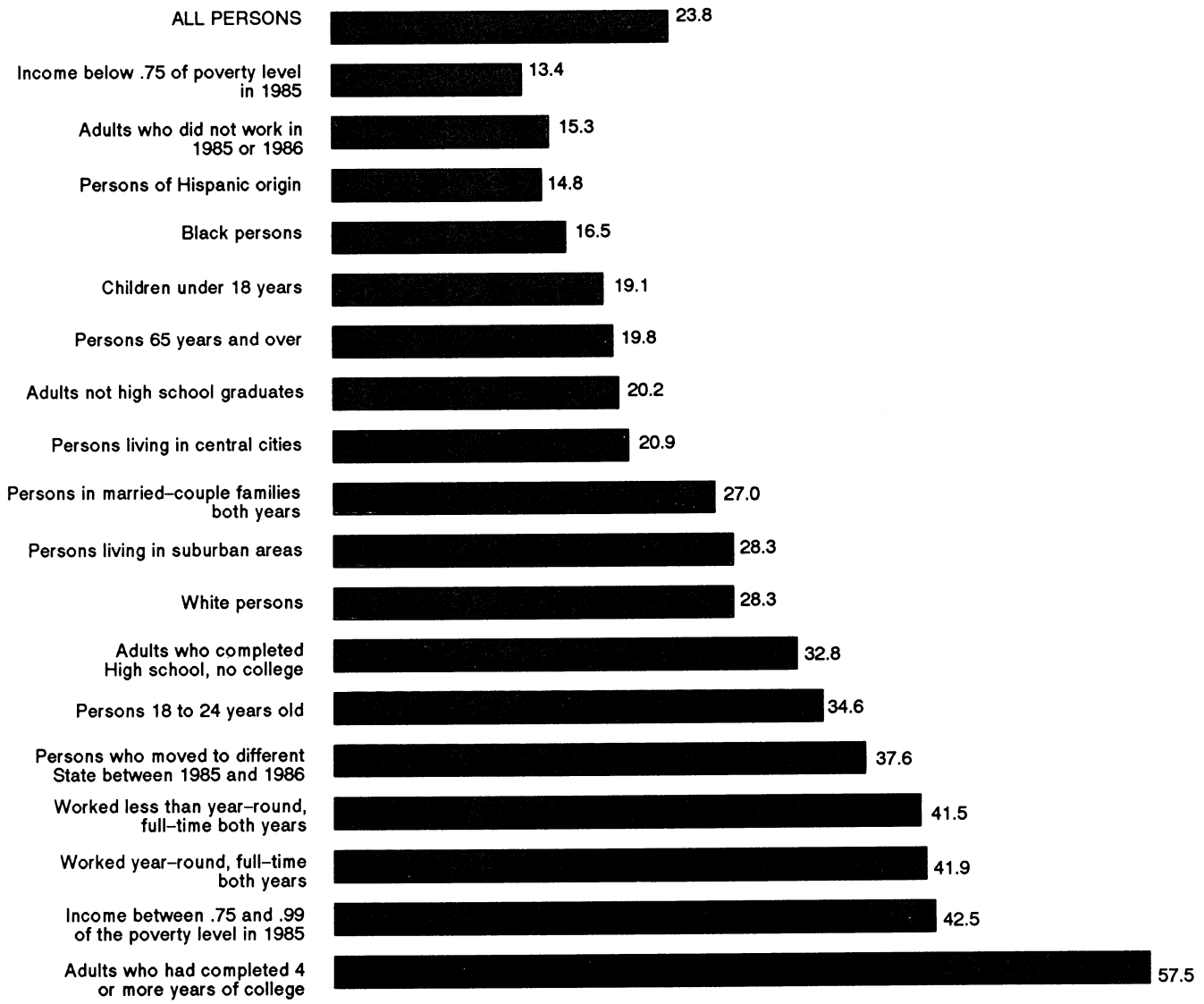
[18]This makes it less likely that Whites will slip back into poverty in subsequent years than Blacks since persons with income above the 1.25 level had less likelihood of having poverty level incomes in subsequent years. As an illustration, only 1.4 percent of Whites with income above the 1.25 level in 1985 became poor by 1986, while 17.8 percent with an income-to-poverty level ratio between 1.00 and 1.24 became poor.

[19]For the elderly, this relatively low exit rate was despite the fact that about three-fourths of poor persons 65 years and over in 1985 had an income-to-poverty ratio between .75 and .99. As indicated earlier, for the poor (regardless of age) such persons had a considerably higher exit rate than persons below .75 of the poverty level.

[20]The exit rate for young adults (34.6 percent) was not significantly different from that for persons 18 to 64 years (27.0 percent).

[21]The exit rate for interstate movers was not statistically different from that for all movers.

Figure
Poverty Exit Rates in 1986 for Persons Who Were Poor in 1985, by Selected Characteristics



family status changes in composition and size are based on the most common status during the calendar year. For example, a person who in 1985 was single in January through March but married in April through December would be characterized here as married in 1985.[22]

Family status change can take many forms—from being in a married-couple family in one year to a family with a female householder with no spouse present in the next year, or to becoming an unrelated individual living alone. About 6.3 percent of the poor in 1985 underwent a family status change in 1986. Regardless of what the change entailed, poor persons who underwent a family status change between 1985 and 1986 were much more likely to exit poverty than those who did not have a family status change (50.1 percent versus 22.0 percent, respectively). Particularly high exit rates were evidenced for poor persons who became members of married-couple families from some other family type (59.3 percent exited between 1985 and 1986, compared with 28.3 percent of persons who changed from married couple to other family type). Persons in married-couple families in both years had a higher exit rate than persons in other stable living arrangements (27.0 percent, compared with 18.1 percent for persons in other family types).

[22]See definitions section for additional clarification.

Family status change was more common among persons who became poor in 1986 (14.3 percent) than among persons who were already poor (6.3 percent) or who were nonpoor both years (4.8 percent). [23] Nevertheless, 52.8 percent of persons who became poor in 1986 were in married-couple families in both years, compared with 42.2 percent of persons who exited poverty during this period and 75.0 percent of persons above the poverty level in both 1985 and 1986.

Persons in large families (those with five or more members) had a lower exit rate than members of smaller families (19.0 percent versus 26.5 percent, respectively) between 1985 and 1986. About 34.2 percent of the poor in 1985 were in large families. Persons who were in families that increased in size between 1985 and 1986 had an exit rate of 27.8 percent, a figure which was not significantly different from that for persons in families with no change in size (22.8 percent) or those in families which decreased in size (22.1 percent).[24]

Most persons did not change their relationship within the household between 1985 and 1986—for example, most people who were householders, spouses, a child of the householder or a nonrelative in 1985 held the same status in 1986. About 4.5 percent of all persons (and a similar fraction of the poor) did, however, change status, shifting, for example, from a child in their parental home in 1985 to a householder or spouse in another household in 1986. Poor persons in 1985 whose household relationship category changed in 1986 had a considerably higher exit rate than those with no change in household relationship (49.4 percent versus 22.5 percent).

Educational attainment. Although 55.4 percent of poor adults in 1985 had not completed high school, some persons with poverty level income were found in each educational category, including those who had completed 4 or more years of college. As years of school completed increased, the poverty exit rate tended to increase between 1985 and 1986. For example, for persons who were not high school graduates the exit rate was 20.2 percent, compared with a rate of 57.5 percent for persons who had completed 4 or more years of college.

Many poor persons in 1985 who had not completed high school did, however, exit poverty between 1985 and 1986. They represented 41 percent of all adults who went from below to above poverty level income during this period. But they were more likely than other education groups to have exited to a near poverty level income. For example, 87.9 percent of poor persons with 4 or more years of college who exited had income above 125 percent of the poverty level, compared with 48.6 percent of those without a high school diploma.

Work experience and number of workers. Overall, 27.3 percent of poor persons 18 years old and over in 1985 had income above the poverty level in 1986. About 41.9 percent of persons below the poverty level in 1985 who worked year-round, full-time in both 1985 and 1986 exited poverty in 1986, a figure not significantly different from the exit rate of persons who worked less than year-round both years (41.5 percent). Poor adults who did not work in either 1985 or 1986 had a low exit rate (15.3 percent), but nevertheless represented 27.4 percent of all adults who exited poverty between 1985 and 1986. Their exit from poverty could be due to the increased earnings of another family member, a change in family composition, receipt of income other than earnings, or a combination of these factors.

Although 56.7 percent of adults who remained poor in both years did not work in either 1985 or 1986, 14.2 percent either worked year-round, full-time in both years, or increased their weeks worked between 1985 and 1986 from not working to working part-year or from working part-year to year-round, full-time.[25]

Like the poor who exited poverty between 1985 and 1986, only about 1 of 4 persons who became poor in 1986 (who were not poor in 1985) had a change in their weeks worked during this period. About 10.2 percent of these "newly" poor persons worked year-round, full-time in both 1985 and 1986 and an additional 2.6 percent had apparently increased their work effort during this period by increasing from part-year to year-round, full-time worker or from not working to working. About 25.6 percent did not work in either year, and an additional 12.7 percent stopped working between 1985 and 1986.[26]

The number of workers in the family was strongly associated with the exit rate for poor persons between 1985 and 1986. Only 10.2 percent of the poor whose household had no workers in either 1985 or 1986 exited poverty compared with 33.0 percent of those with one worker in both years and 50.7 percent of those in households with two or more workers in both years.

About 40.1 percent of persons who fell into poverty between 1985 and 1986 were in families in which the number of workers decreased during this period. An additional 15.7 percent were in families in which there

[23]The latter two figures are not statistically different from each other.

[24]The latter rate excludes persons who were in two-person families in 1985.

[25]This is an underestimate of the proportion with increased weeks and/or hours worked since it excludes increases within category—for example, an increase from working 10 weeks to working 30 weeks.

[26]The proportion which stopped work was not significantly different from the proportion who worked year-round full time in both years.

was no worker in either year. The remainder either did not have a change in the number of workers in their families (42.6 percent) or had an increase in the number of workers (1.6 percent).[27]

Participation in assistance programs. Data in table 5 show whether or not persons participated in major assistance programs during any month by poverty status in 1985 and 1986.[28] Care should be used in attributing causality by recipiency status to a person's exit from or fall into poverty since (a) some of these programs provide noncash assistance only and are not given a cash equivalent value in determining poverty status; (b) most of the programs that do give cash assistance provide such assistance at levels far below the poverty level[29]; (c) most of these programs were not designed to prevent a person slipping into poverty nor to provide a mechanism for lifting them out of poverty but rather to provide aid while persons were poor.

Since participation benefits are relatively low, poor persons who participated both years had a low exit rate (11.8 percent). Conversely, poor persons who went from being a participant to a nonparticipant in assistance programs had a higher exit rate (61.8 percent) than persons who did not participate in either year (43.4 percent) or those who went from a nonparticipant to a

[27]In this paragraph, the 40.1 percent figure was not significantly different from the 42.6 percent figure.

[28]"Major assistance programs" were defined to include Aid to Families with Dependent Children (AFDC), general assistance, Supplemental Security Income (SSI), food stamps, Medicaid, and public or subsidized housing.

[29]Among the States, for example, the median AFDC benefit in 1988 was about 46 percent of the poverty level in that year for a family of three. See U.S. House of Representatives, Committee on Ways and Means. *Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means,* WMCP: 101-4 1989, table 9, page 540.

Table I. **Comparison of CPS and SIPP Poverty Rates, by Selected Characteristics: 1985 and 1986**

(Estimates from SIPP based on 1985 panel file)

Characteristic	Percent below poverty level		Percentage point difference, CPS-SIPP	CPS/SIPP
	CPS[1]	SIPP		
1985				
AGE				
Total	14.0	10.4	3.6	1.35
Under 18 years	20.7	17.1	3.6	1.21
18 to 64 years	11.3	7.9	3.4	1.43
65 years and over	12.6	8.9	3.7	1.42
SEX				
Male	12.3	9.0	3.3	1.37
Female	15.6	11.7	3.9	1.33
RACE AND HISPANIC ORIGIN				
White	11.4	7.7	3.7	1.48
Black	31.3	27.9	3.4	1.12
Hispanic[2]	29.0	23.5	5.5	1.23
1986				
AGE				
Total	13.6	10.3	3.3	1.32
Under 18 years	20.5	17.1	3.4	1.20
18 to 64 years	10.8	7.7	3.1	1.40
65 years and over	12.4	9.0	3.4	1.38
SEX				
Male	11.8	9.0	2.8	1.31
Female	15.2	11.5	3.7	1.32
RACE AND HISPANIC ORIGIN				
White	11.0	7.6	3.4	1.45
Black	31.1	27.3	3.8	1.14
Hispanic[2]	27.3	23.9	3.4	1.14

[1]Standard errors for the 1985 and 1986 Current Population Survey poverty rates can be derived from Appendix B of Current Population Reports, Series P-60, No. 160, Poverty in the United States: 1986.

[2]Persons of Hispanic origin may be of any race.

participant (20.8 percent).[30] Presumably most persons who went from a participant to a nonparticipant and were able to raise their living standard from below to above the poverty level, did so by increased earnings (either their own or some other family member's). It should be noted that about 30 percent of the poor in 1985 did not receive any program assistance in any month.

TECHNICAL NOTES

Computation of poverty status in SIPP and comparison with CPS estimates. Official poverty data in the CPS are based on questions on income received in the preceding calendar year which are asked in the March supplement. Family composition is fixed as of the survey date and assumed to be constant over the previous year (in the case of 1985 poverty status, the data were collected in March 1986). In this report using the 1985 SIPP panel, income information was collected for each month. Family composition data was updated on a monthly basis also. A person's annual poverty status was determined by comparing the sum of the person's monthly income (family income or unrelated individual income as appropriate) against the sum of the appropriate monthly poverty thresholds. If the sum of the monthly incomes was below the sum of the monthly poverty thresholds, the person was classified as below the poverty level for the year.

Poverty estimates vary considerably between the CPS and SIPP. An earlier study showed that an approach that adjusts poverty for changes in household composition results in a poverty estimate that is about 5 percent lower than an estimate based on an approach that does not adjust for changes in household composition.[31]

Other than treatment of changes in household composition, there are several other differences between CPS and SIPP that should be noted in comparing results from the two surveys. First, the shorter recall period in SIPP results in more accurate data on the receipt of transfer income. This difference would tend to result in SIPP poverty estimates that are lower than CPS poverty estimates. A second difference concerns the way in which self-employment income is recorded. It is possible to record negative amounts in CPS, but not in SIPP. This difference would also tend to result in SIPP estimates of poverty that are lower than CPS estimates. However, wage and salary income estimates tend to be lower in SIPP than in the CPS. It is possible that persons tend to report net rather than gross wage and salary income in the SIPP. This would tend to result in SIPP estimates of poverty that are higher than the CPS estimates for those persons/families with wage and salary income. It is also possible because of its more frequent interviews that SIPP has better reporting of intermittent income than does the CPS. If such income tends to cluster at the lower end of the earnings distribution, this would tend to lower the number of poor.

The data file used in this report (see appendix D for a description) is based on persons for whom a complete set of observations was obtained over a 2-1/2 year period. These persons were weighted to reflect the total population as of March 1, 1985. The total weighted number of persons in 1985 will fall short of the independent estimates of the total population because some persons with positive weights are excluded from the analysis, namely, those who died or were institutionalized. The total estimate for 1986 will fall short of independent estimates for the same reasons and because of natural increase and net migration between 1985 and 1986.

Tables I and J compare selected poverty rates and year-to-year changes in these rates from the March 1986 and 1987 CPS (in which 1985 and 1986 poverty statistics were collected) with the 1985 SIPP panel file figures. In general, SIPP estimates are considerably lower, with the CPS poverty rate for 1985 being 3.6 ($\pm$0.6) percentage points greater than the comparable SIPP estimate.

Comparison of SIPP and CPS income estimates. Table 1 of this report examined the distribution of family (or individual) income in 1985 and 1986 for each fully-interviewed SIPP respondent. Table K compares some of these estimates with those derived from the March 1987 CPS. The reference period for both sets of estimates is calendar year 1986.

Table J. **Comparison of 1985-86 Year-to-Year Percentage Point Change in Poverty Rate Between CPS and SIPP**

Characteristic	CPS[1]	SIPP
AGE		
Total	-0.4	-0.1
Under 18 years	-0.2	-
18 to 64 years	-0.5	-0.2
65 years and over	-0.1	0.1
SEX		
Male	-0.5	-
Female	-0.4	-0.2
RACE AND HISPANIC ORIGIN		
White	-0.4	-0.1
Black	-0.2	-0.6
Hispanic[2]	-1.7	0.4

[1]Standard errors for the Current Population Survey figures can be obtained from Appendix B of the Current Population Reports, Series P-60, No. 160, Poverty in the United States: 1986.

[2]Persons of Hispanic origin may be of any race.

[30]In this paragraph, 20.8% was not significantly different from 11.8 percent.

[31]See John F. Coder, et.al., Preliminary Data from the SIPP 1983-84 Longitudinal Research File. SIPP Working Paper No. 8702.

Table K. **Comparison of CPS and SIPP Estimates of Median Family or Individual Income, All Persons: 1986**

Characteristic	SIPP		CPS	
	Median income	Standard error	Median income	Standard error
All persons	$27,310	$208	$27,315	$98
RACE AND HISPANIC ORIGIN				
White	28,962	249	29,143	117
Black	17,822	669	16,364	240
Hispanic[1]	20,277	379	19,171	343
AGE				
Under 18 years	28,045	421	27,126	185
18 to 24 years	27,306	625	26,116	298
25 to 44 years	30,269	220	30,483	103
45 to 64 years	30,976	409	32,004	180
65 years and over	14,500	324	14,856	151

[1]Persons of Hispanic origin may be of any race.

The SIPP median family (or individual) income for all persons in 1986 was $27,310, not significantly different from the comparable CPS figure. SIPP median incomes of Blacks ($17,822) and persons of Hispanic origin ($20,277) were somewhat higher than comparative CPS estimates. There was no statistically significant difference between SIPP and CPS estimates for White persons.

SIPP estimates of income for those under the age of 18 ($28,045) and between the ages of 18 and 24 ($27,306) were higher than the comparable CPS estimates, while the CPS estimate for persons 45 to 64 years old ($32,004) was higher than the comparable SIPP figure.

USER COMMENTS

We are interested in your reaction to the usefulness and content of this report. We welcome your recommendations. If you have suggestions or comments, please send them to: Dr. Gordon Green, Housing and Household Economic Statistics Division, U.S. Bureau of the Census, Washington, DC 20233.