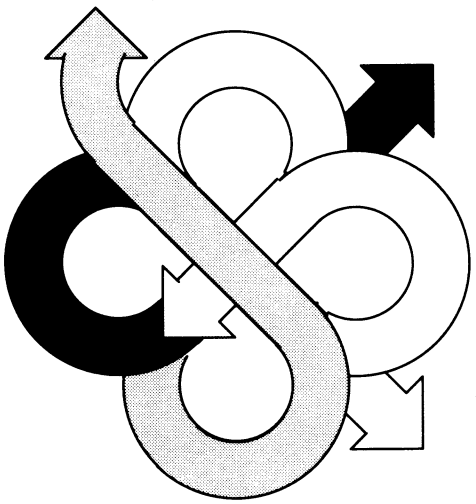
CURRENT POPULATION REPORTS

Household Economic Studies

Series P-70, No. 24

by
Kathleen Short
Martina Shea

Transitions in Income and Poverty Status: 1987–88



Data from the Survey of Income and Program Participation

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

Acknowledgments

This report was prepared under the direction of **Charles T. Nelson,** Chief, Income Statistics Branch and **Enrique J. Lamas,** Chief, Poverty and Wealth Statistics Branch. Tables were prepared by **Robert Clemons,** under the direction of **Angela M. Feldman-Harkins,** Chief of the Computer Programming and Applications Staff. Statistical assistance was provided by **Helen M. Ogle** and **Rose Mary Schade.** Word processing assistance was provided by **Shirley L. Smith** and **Deborah D. Largent.**

Survey design and data operations were coordinated by **Donald Fischer, Chief,** Income Surveys Branch, Demographic Surveys Division. Data processing activities were directed by **Donna Riccini,** Chief, Income Surveys Programming Branch, Demographic Surveys Division.

Data collection was conducted by the Bureau of the Census interviewers under the overall direction of **Stanley D. Matchett,** Chief, Field Division.

Sampling review was conducted by **Rajendra Singh,** Chief, and **Melissa Sanchez,** Survey of Income and Program Participation Branch, Statistical Methods Division.

The staff of Administrative and Publications Services Division, **Walter C. Odom,** Chief, provided publication planning, design, composition, editorial review, and printing planning and procurement.

CURRENT POPULATION REPORTS

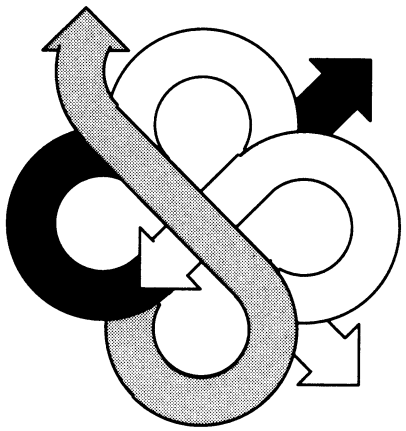
Household Economic Studies

Series P-70, No. 24

Issued August 1991

by
Kathleen Short
Martina Shea

Transitions in Income and Poverty Status: 1987-88



Data from the Survey of Income and Program Participation

U.S. Department of Commerce
Robert A. Mosbacher, Secretary
Rockwell A. Schnabel, Deputy Secretary

Economics and Statistics Administration
Michael R. Darby, Under Secretary
for Economic Affairs and Administrator

BUREAU OF THE CENSUS
Barbara Everitt Bryant, Director

Economics and Statistics Administration
Michael R. Darby, Under Secretary
for Economic Affairs and Administrator

BUREAU OF THE CENSUS
Barbara Everitt Bryant, Director
C.L. Kincannon, Deputy Director
William P. Butz, Associate Director
for Demographic Programs

HOUSING AND HOUSEHOLD ECONOMIC STATISTICS DIVISION
Daniel H. Weinberg, Chief

SUGGESTED CITATION

U.S. Bureau of the Census, Current Population Reports,
Series P-70, No. 24, Transitions in Income and Poverty Status: 1987-88
U.S. Government Printing Office, Washington, DC, 1991.

For sale by Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Contents

Introduction 1

DETAILED TABLES

1. Distribution of Persons, by Family Income: 1987 and 1988 3
2. Year-to-Year Changes in Family Income Quintiles: 1987-1988 5
3. Distribution of Income-to-Poverty Ratios: 1987 and 1988 10
4. Distribution of Percent Change in Income-to-Poverty Ratios: 1987 and 1988 18
5. Selected Characteristics of Persons, by Ratio of Income-to-Poverty Level in 1987 and 1988 40

APPENDIXES

A. Overview of the SIPP Program 53
- Background 53
- Survey Content 53
- Sample Design 54
- Survey Operations 54

B. Definitions and Explanations 56

C. Source and Accuracy Statement 60
- Source of Data 60
- Estimation 60
- Accuracy of Estimates 61
- Uses and Computation of Standard Errors 61

D. Description of the SIPP 1987 Panel File and Data Quality 65
- Description of SIPP 1987 Panel File 65
- Time-in-Sample Bias 65
- Other Issues of Data Quality 66
- Computation of Poverty Status in SIPP and Comparison With CPS Estimates 67
- Comparison of SIPP and CPS Income Estimates 67

APPENDIX TABLES

A-1. Topical Modules for the 1987 SIPP Panel 54
A-2. Design of the 1987 SIPP Panel 54
B-1. Income Sources Included in Monthly Cash Income 58
B-2. Weighted Average Poverty Thresholds in 1987 and 1988 59
C-1. Person Statistics for Longitudinal Panel 60
C-2. SIPP Generalized Variance Parameters for Estimates Using Panel Weights: 1987 Longitudinal Panel File 62
C-3. Standard Errors of Estimated Numbers of Persons for 1987 Longitudinal Panel File 63
C-4. Standard Errors of Estimated Percentages of Persons for 1987 Longitudinal Panel File 64
D-1. Percent Distribution: Three Categories of Sample Persons 65
D-2. Selected Monthly Averages by Quarter from 1986 and 1987 SIPP Cross-Sectional Files 66
D-3. Comparison of CPS and SIPP Poverty Rates, by Selected Characteristics: 1987 and 1988 68
D-4 Comparison of 1987-88 Year-to-Year Percentage Point Change in Poverty Rate Between CPS and SIPP 68
D-5. Comparison of CPS and SIPP Estimates of Median Family or Individual Income, all Persons: 1988 68

Transitions in Income and Poverty Status: 1987-88

INTRODUCTION

This report presents data from the complete 1987 panel file of the Survey of Income and Program Participation (SIPP) on changes between 1987 and 1988 in the income and poverty status of persons. Descriptions of the SIPP program and the 1987 panel file are contained in appendixes A and D, respectively. A similar report issued in June 1990, Current Population Reports, Series P-70, No. 18, "Transitions in Income and Poverty Status: 1985-86," presented data on income and poverty status changes between 1985 and 1986 from the 1985 panel file, as well as analytical text describing the data. This report contains detailed estimates for 1987 and 1988 comparable with the estimates for 1985 and 1986, but does not contain descriptive text.

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 1987 and 1988, and those who were poor in 1988, but not in 1987. 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 two-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 appendixes B and D.

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 are updated every year to reflect changes in the Consumer Price Index. The average poverty threshold for a family of four was $11,611 in 1987 and $12,092 in 1988. 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 appendix D.