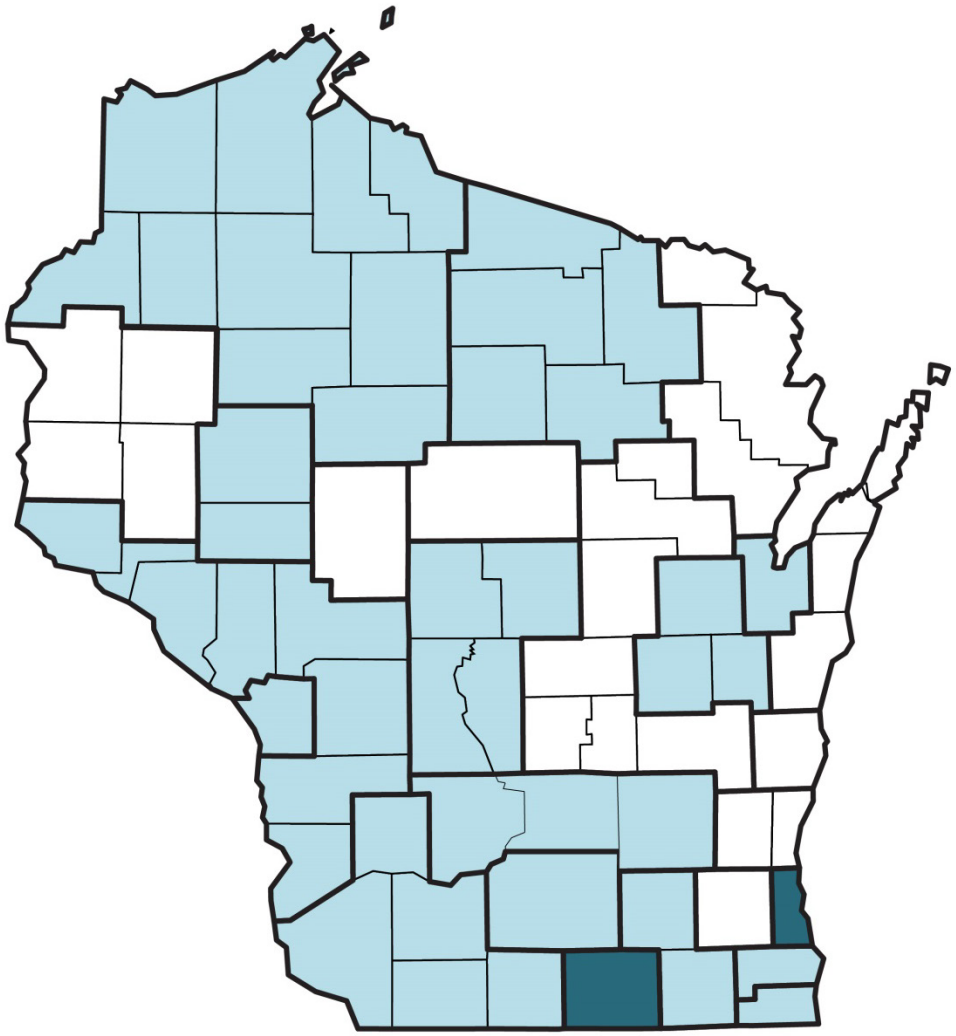
Wisconsin Poverty Report:
Is the Safety Net Still Protecting Families from Poverty in 2011?

The Fifth Annual Report of the Wisconsin Poverty Project



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ABOUT THE WISCONSIN POVERTY PROJECT

The Wisconsin Poverty Project came into being in late 2008, when a group of researchers at the Institute for Research on Poverty (IRP) sought to gain a more accurate and timely assessment of poverty throughout the state at a time when the worst recession in the postwar era was gripping the nation. The researchers' efforts, which are in line with broader efforts (including federal development of the Supplemental Poverty Measure), sought to inform policy with up-to-date and place-specific data that go beyond the official statistics for Wisconsin. The project, which each year produces a *Wisconsin Poverty Report*—this one marking the fifth—joins many other endeavors by University of Wisconsin System faculty and staff to improve the lives of people throughout the state in the spirit of the Wisconsin Idea. Simply put, the Wisconsin Poverty Project model reflects IRP's commitment to informing public policy with research findings and, consistent with this idea, one of our primary goals in developing the Wisconsin Poverty Measure is to serve as a model for other states and localities seeking to craft their own more meaningful measures of poverty. Our model, including programming and other technical details, is available online. Visit http://www.irp.wisc.edu/research/wipoverty.htm for more information.

ACKNOWLEDGMENTS

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ABOUT THE INSTITUTE FOR RESEARCH ON POVERTY

The Institute for Research on Poverty (IRP) is a unit within the College of Letters and Science at the University of Wisconsin–Madison. It was established in 1966 as the nation's original poverty research center for interdisciplinary study of the causes, consequences, and cures of poverty and social inequality in the United States. Major funding is provided by the Assistant Secretary for Planning and Evaluation (ASPE) in the U.S. Department of Health and Human Services. As a National Poverty Research Center sponsored by ASPE, IRP has a particular interest in poverty and family welfare in Wisconsin as well as the nation.

DISCLAIMER

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This report is available in a printable format on IRP's website at www.irp.wisc.edu.

COVER MAP KEY: Map depicts 2011 poverty rates using the Wisconsin Poverty Measure; areas that are below the state average of 10.7 percent are white; light turquoise areas have no statistically significant difference from 10.7 percent; and dark turquoise areas are higher than 10.7 percent. See page 14 for further details.

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[i] See S. Ruggles, J. T. Alexander, K. Genadek, R. Goeken, M. B. Schroeder, and M. Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

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EXECUTIVE SUMMARY

Although national authorities declared an end to the Great Recession almost four years ago, the economic downturn has continued to have repercussions in Wisconsin and beyond. Wisconsin had almost zero net job creation in 2011 and 2012. And so, Wisconsin's market income poverty rate steadily rose from 21.3 to 25.2 percent between 2008 and 2011, suggesting that the performance of the Wisconsin economy in terms of jobs and earnings worsened over this period. The official poverty statistics provided by the U.S. Census Bureau also suggest that poverty in the state increased from 2008 to 2011, rising from 10.2 to 13.3 percent. This indicates that Wisconsin residents generally had lower pre-tax but post-transfer cash resources. But when we measure with our Wisconsin Poverty Measure (WPM), we find that state poverty has fallen between 2008 and 2011, despite a modest increase from 2010 to 2011 from 10.3 to 10.7 percent, and remained about 2.6 percentage points below the official rate.

Behind this story is the impact of tax-related provisions and near-cash benefits from programs that government officials augmented to offset increased economic hardship due to the recession. The official poverty measure considers only pre-tax cash income as a resource, failing to fully capture the effects of government efforts to stimulate the economy and ease economic adversity caused by the recession. Researchers at the Institute for Research on Poverty (IRP) developed the WPM, now in its fourth year, to account for the needs and resources of Wisconsin families while taking the antipoverty impact of policies into account. The WPM considers cash resources, but also tax credits and noncash benefits, as well as costs like child care and health care that reduce available resources, in determining poverty status.

For the third year in a row, the WPM tells a different story than the Census Bureau's official poverty statistics. In last year's *Wisconsin Poverty Report*, we found a decline in poverty between 2009 and 2010 under the WPM, mainly because the drop in families' earnings and cash income was offset by tax credits and food assistance benefits, which saw major increases in funding through 2009's American Recovery and Reinvestment Act (ARRA). In this *Wisconsin Poverty Report*, we reveal that tax credits played a large role in fighting poverty in 2011, though down from 2010 as ARRA tax provisions phased out and the Wisconsin state EITC was reduced. As a result, despite continued effectiveness of nutrition assistance benefits during 2011, there was a modest increase in the number of individuals and families living in poverty in 2011.

Additional major findings of our report also demonstrate a diversified experience of poverty in Wisconsin following the onset of the recession. The increase in poverty for children is larger than the overall increases under the official measure and the WPM, where it climbed from 10.8 to 12.2 percent between 2010 and 2011. When we examine how specific noncash benefits, tax-related provisions, and medical and work-related expenses affect poverty, we find again that refundable tax credits had a smaller impact in reducing child poverty in 2011 than in 2010. We also noted that out-of-pocket medical expenses, while less of a burden in 2011 compared to earlier years, continued to push some low-income elderly persons into poverty, suggesting the importance of support for medical care for this population. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee.

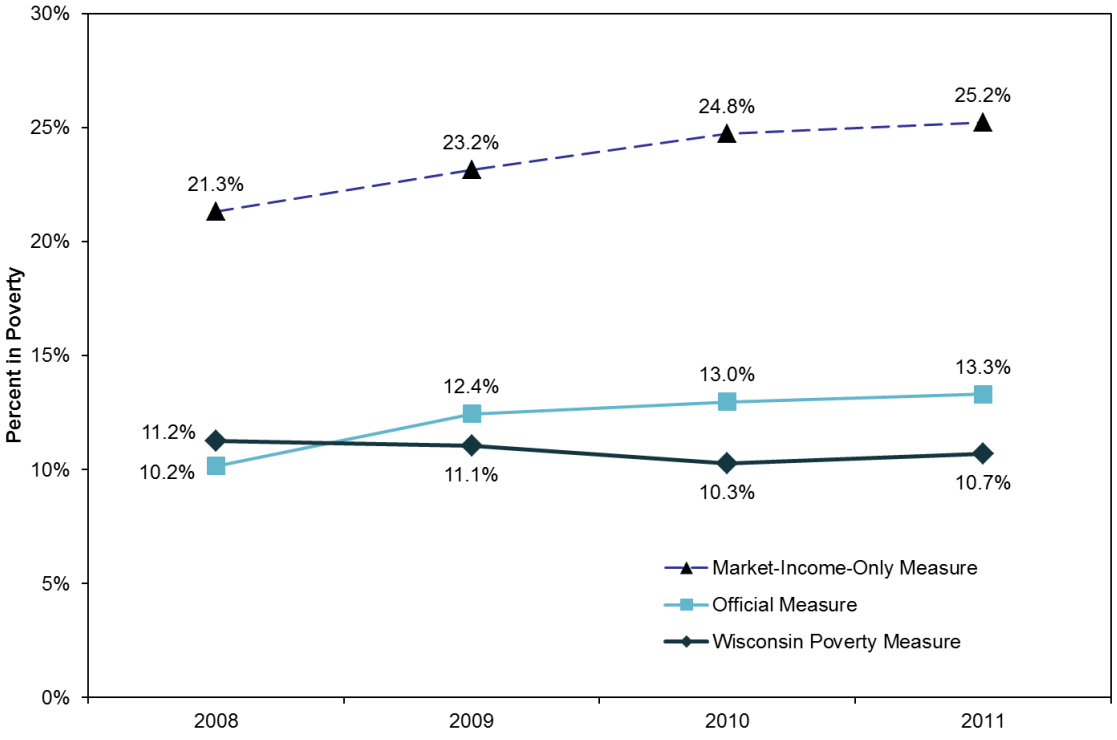
Our key finding and our answer to the question, 'Is the safety net still working in Wisconsin?' is "yes". The social safety net provided a buffer against poverty during the recession, though its impact lessened in 2011 due to policy changes at the state and federal levels. We believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program. But, as this report shows, in times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin's safety net does—makes a big difference in combatting market-driven poverty. But as this year's report suggests, cuts in that safety net without substantial improvement in the underlying economy can produce an increase in poverty as measured by the WPM.

INTRODUCTION

Since the onset of the Great Recession—the worst recession in the postwar era—it has become particularly important for researchers and policymakers to have an accurate and timely assessment of which people and families are poor and the influence of public policies on poverty. National authorities declared that the recession ended in June 2009, but even a full four years later, numerous economic indicators continue to signal a fragile recovery and persistent economic need in Wisconsin and elsewhere. In the context of this slow recovery, as political pressure to reduce the budget mounts and the need for active government intervention to reduce economic hardship is less immediately obvious, accurate appraisal of economic resources and need and the way that programs help enhance earnings and supplement the incomes of the poor has become even more critical.

To provide a more nuanced picture of economic hardship in Wisconsin, we employ three different measures for estimating poverty in the state from 2008 through 2011, as shown in Figure 1. The three measures are: a measure based on market (private) income only; the Census Bureau's official poverty measure, which considers only pre-tax but post-benefit cash income; and the Wisconsin Poverty Measure (WPM), a measure that researchers at the Institute for Research on Poverty (IRP) have developed to better reflect a comprehensive set of needs and resources in Wisconsin.

Figure 1. Wisconsin Poverty Rates under Three Measures, 2008–2011



Source: IRP tabulations using 2008–2011 American Community Survey data.

Notes: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section below.

Under the market-income measure, which is based on private sources of income (e.g., earnings, investment income, private pensions), we see that overall poverty rates increased, consistent with the recession-driven decline in employment and a very slow employment recovery in Wisconsin in recent years. Poverty estimates are much lower under the official measure, which includes government cash transfers (e.g., Social Security,

unemployment insurance, welfare cash payments) as well as market income (and which is based on the older official poverty threshold and related methods). However, trends in poverty according to the official measure are similar to those shown by the market-income measure, as the official poverty rate also increased.

In contrast, the overall poverty rate as figured by the WPM remained essentially the same between 2008 and 2009, actually declined between 2009 and 2010 (from 11.1 percent to 10.3 percent), but then rose back to 10.7 percent in 2011. One of the important differences between the more comprehensive WPM and the official measure is that the WPM takes into account the increases in noncash benefits and tax credits, which offset the drop in market income in Wisconsin in all three years. Our report comparing 2008 and 2009 suggested that policies intended to address the recession and reduce poverty had indeed been successful in our state because they kept poverty from increasing.[1] Last year's report suggested that work supports and other safety net programs continued to expand and help Wisconsin families in 2010 even more than in 2009, despite persistent economic hardship and worsening labor market conditions in the state. Now, in 2011, we are barely holding even, with an uptick in overall poverty from 10.3 to 10.7 percent. The economy continues to be bad and policy levers are also being pulled back, especially in the form of refundable tax credits.

Our findings that poverty did not rise during the recession as much as suggested by official statistics should not be interpreted as saying that the recession has not been a source of hardship in Wisconsin. Poverty measures do not capture the deterioration in economic conditions for middle-class families. Nor do they capture the financial consequences of drawing down savings, the loss of homes due to foreclosure, increases in debt, and the non-economic stresses associated with job loss or the process of applying for public benefits. While this report cannot address all of these issues, it does testify to the effectiveness of work supports and safety net programs in Wisconsin following the recession, and such a finding supports continued and expanded efforts to improve the well-being of residents in the state. This year's report also suggests that if policies to help the poor are cut back, poverty will again rise even under the WPM.

Organization of this Report

The remainder of this report expands upon the key findings from Figure 1 in the following manner. First, we consider Wisconsin's economic and policy situation during these years of recession. Second, we briefly discuss the methodology of the Wisconsin Poverty Measure and how it differs from the official poverty measure. Third, we examine results in 2011, and trends for the 2008 to 2011 period, looking at poverty rates overall and for two vulnerable groups: children and the elderly. Fourth, we use the WPM to examine how public benefits (e.g., tax credits, nutrition assistance programs, housing policies) and expenses (medical and work-related) affect poverty. Finally, we present poverty rates across local regions in Wisconsin using the WPM.

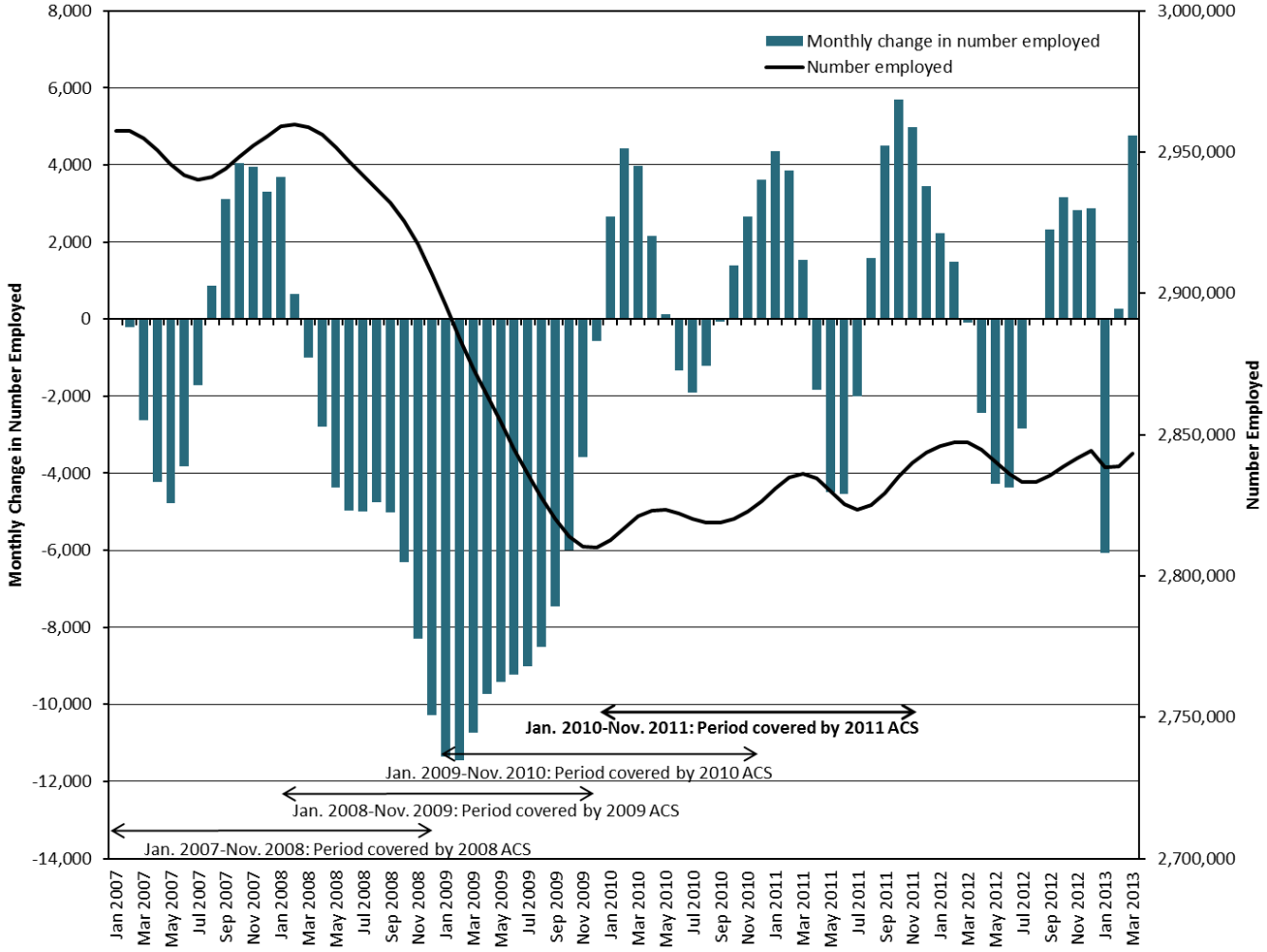
WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

The rise in Wisconsin poverty that is reported by the market-income and official measures reflects the decline in employment and earnings in the state during the Great Recession. Following the rapid decline in employment that occurred during 2009, Wisconsin experienced a small job uptick in 2010 and 2011 (see Figure 2 below and note that job losses in both 2010 and 2011 affect the 2011 poverty rate measured in this report). At the end of 2011, Wisconsin only had about 27,500 more jobs than at the beginning of 2010, less than a 1 percent gain.

[1]For the full series of *Wisconsin Poverty Report*s, see http://www.irp.wisc.edu/research/wipoverty.htm. The full series includes an expanded discussion of methodologies and results, as well as technical appendices. Note that the same methodology was used in estimates for 2009, 2010, and 2011; 2008 was estimated under a slightly older methodology. The 2008 estimates would be slightly higher if re-estimated under the new methodology (poverty was estimated under both methodologies in 2009 and the overall poverty estimate in 2009 was 0.4 percentage points higher under the older methodology). However, the finding of insignificant change in poverty under the WPM between 2008 and 2009 is not affected by the small methodological refinements.

There was an upturn in jobs in spring 2011 which then dissipated by November 2011. Indeed from November 2011 to November 2012, Wisconsin gained less than 1,500 jobs (see Figure 2).

Figure 2. Number of Individuals Employed and Monthly Job Gains/Losses in Wisconsin, 2007–2013

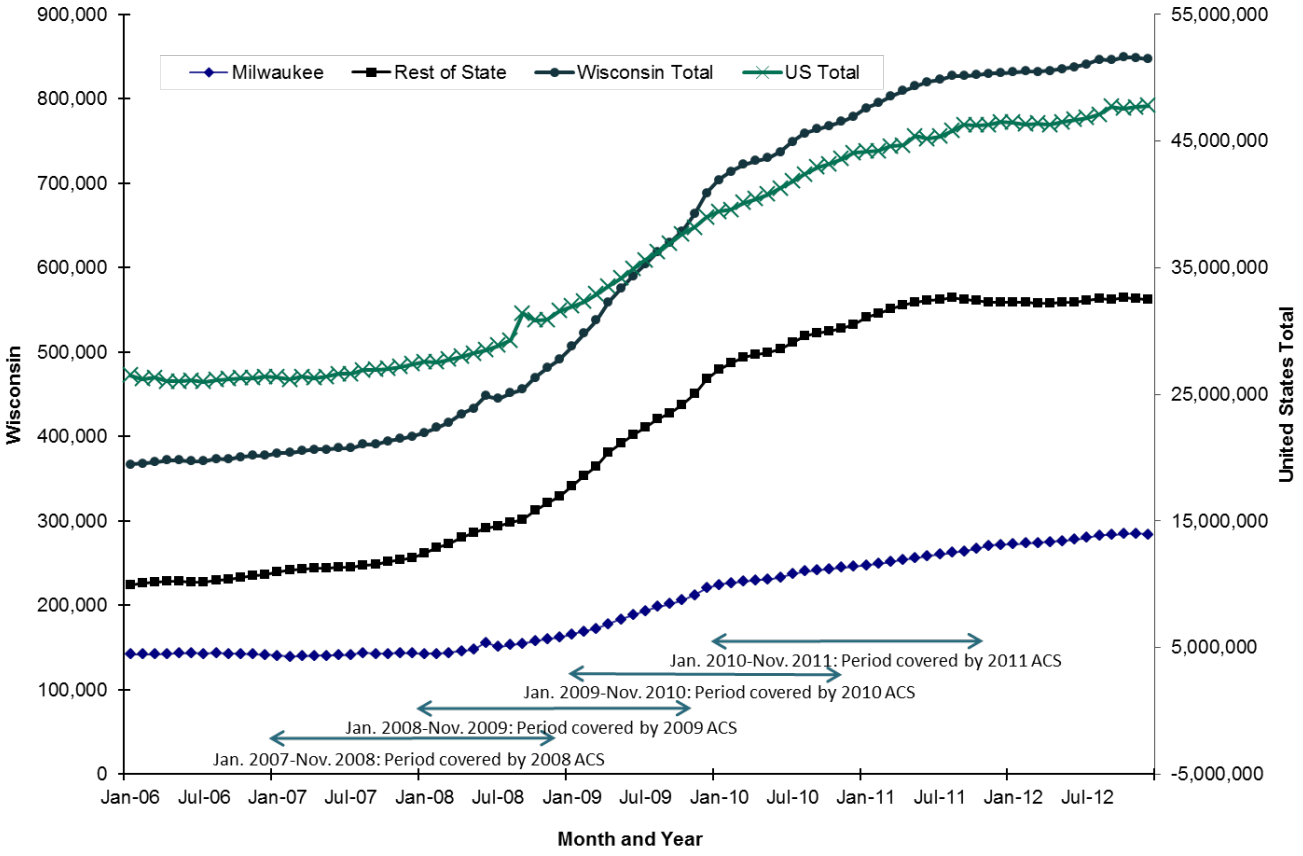


Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

Notes: The 2011 poverty rate is based on economic conditions from January 2010 through November 2011, because the American Community Survey (ACS) data for each year are collected throughout the calendar year, and include references to income over the previous 12 months, hence, spanning a total of 23 months, as shown in the chart. For reference, the official recession began in December 2007 and ended in June 2009.

As unemployment and job loss rose in the recession and many of the unemployed remained out of work for six months or longer, caseloads for the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program, which is known as FoodShare in Wisconsin, but called SNAP in this report for simplicity) rose dramatically, in the nation as well as in Wisconsin. As shown in Figure 3, the rate of increase in Wisconsin was even larger than the national rate of increase; the number of people receiving SNAP benefits in Wisconsin more than doubled between January 2007 and November 2011 (an increase of 118 percent), compared to a 75 percent increase in the nation as a whole during the time considered. The increase in SNAP caseloads was much steeper outside of Milwaukee than in Milwaukee, a long-term high-poverty area, and was also rising in the time period covered by the 2011 ACS. The Wisconsin caseload rose from about 704,000 in January 2010 to 830,000 in November 2011, or by 126,000 units. Case rolls in both the nation and Wisconsin began to level off in 2012 and are actually falling now in Wisconsin areas outside of Milwaukee.

Figure 3. Changes in SNAP Benefit Caseloads in Wisconsin and the United States, 2006–2012



Source: Data on SNAP participation are from the FoodShare data website of the Wisconsin Department of Health Services.

Notes: The number of cases in Wisconsin is shown on the left-hand scale of the y-axis, while that for the United States is on the right-hand scale of the y-axis.

WHAT'S WRONG WITH THE OFFICIAL POVERTY MEASURE?

Researchers and policymakers have criticized the current official poverty measure for not accurately accounting for the contemporary needs and resources of American families, and have consequently called for improved measures. Critics assert that the official measure ignores noncash benefits and tax credits, uses an outdated (and substantially lower) poverty threshold based on a pattern of consumption in the 1960s, omits work-related expenses such as child care and health care costs, and fails to adjust for geographic differences in prices. After a National Academy of Sciences (NAS) panel offered an alternative method for measuring poverty that addresses many of these concerns, a number of scholars have developed alternative poverty measures based on the NAS method. The federal government has also recently implemented the Supplemental Poverty Measure (SPM).[2]

While IRP's efforts to develop an alternative poverty measure for Wisconsin are in line with these broader efforts, we contribute to the field by applying these measures to a local area (Wisconsin) in ways that reflect the

[2]In November 2011, the Census Bureau released the first results from the new SPM in K. Short, "The Research Supplemental Poverty Measure 2010: Consumer Income," U.S. Census Bureau, *Current Population Reports* P60-241. Washington, DC: U.S. Government Printing Office. Available online at http://www.census.gov/prod/2011pubs/p60-241.pdf. A second report using the same measure for 2011 was released in 2012, and is available online at http://www.census.gov/prod/2012pubs/p60-244.pdf

characteristics and policy interests of the state, and by providing explicit and straightforward guidelines that other states and localities can use to develop their own measures. Wisconsin is an excellent site for a case study of alternative poverty measures because of the state's historic importance as an experimental site for national policies, and the provision of resources for this research by the University of Wisconsin–Madison. Finally, Wisconsin sees rich interactions of research and community life, largely because of the University of Wisconsin System's adherence to the "Wisconsin Idea," which is the principle that university research should improve state residents' lives beyond the classroom.[3]

METHODS AND DATA FOR MEASURING POVERTY UNDER THE WPM

We use an analytical approach largely consistent with those employed in previous issues of the *Wisconsin Poverty Report*. As in previous reports, the U.S. Census Bureau's American Community Survey (ACS) is the primary data source for this report; specifically, a data extract from the Integrated Public Use Microdata Series (IPUMS) was used to analyze the 2011 ACS data (see source note in acknowledgements), and the IPUMS data were supplemented with state administrative data on participation in public assistance programs. While the SPM being developed at the federal level uses data from the Current Population Survey, our measure takes advantage of the relatively large sample sizes in the ACS data set in order to examine poverty in areas within the state.

We examine poverty in 22 areas in Wisconsin, including 10 large counties (more densely populated) and 12 multicounty areas that encompass relatively small (less densely populated) counties. An additional advantage of the data is the inclusion of detailed housing information. While the data set used in our analysis is subject to limitations, such as a lack of information about SNAP benefit amounts, energy assistance, and public housing, it is the best available data for examining poverty at the local level, as we do in the current analysis, and the issues stemming from data limitations have been alleviated by our effort to combine it with other data sources including Wisconsin's administrative data on program participation.

The development of the WPM is in line with the development of almost all poverty measures in which poverty status is determined by comparing a measure of economic need to a measure of the economic resources available to meet that need. A poverty threshold (or measure of need) is the least amount of income deemed necessary to cover the basic expenses of the unit of people considered. Three major components commonly constitute poverty measures: the resource-sharing unit (and the universe of people included in those units), resources, and need; we describe each of these components to demonstrate our approach to the WPM.

The resource-sharing unit includes all persons who share the same residence and are also assumed to share income and consumption (called "family"). In the WPM we expand the definition of family used in the official poverty measure (which is restricted to married couples and their families), by including unmarried partners and their families, foster children, and unrelated minor children in our poverty unit. This procedure follows the National Academy of Sciences recommendations, although we depart from these by excluding college students with annual earnings less than $5,000 because they likely have income from parents that was not recorded in our data and may therefore upwardly bias our poverty estimate. Excluding college students changes our estimate for Wisconsin's overall poverty by 0.2 percent, but by a more substantial amount in college towns like Madison and La Crosse.

While the official poverty measure considers nothing beyond pre-tax cash income as resources, the WPM incorporates a more comprehensive range of resources, including tax credits, noncash benefits including SNAP and housing subsidies, and it adjusts for household needs, such as out-of-pocket medical costs and work-related expenses that include child care and transportation costs. Consistent with our goal of measuring poverty in Wisconsin, we include Wisconsin-specific public resources, such as the Wisconsin Homestead Tax Credit and the Wisconsin state Earned Income Tax Credit (EITC), in addition to the federal EITC.

[3]For more about the Wisconsin Idea, see T. M. Smeeding and J. Y. Marks, "The 'Wisconsin Idea' and Antipoverty Innovation," *Pathways: A Magazine on Poverty, Inequality, and Social Policy*, Summer 2011, 18–21. Available online at http://www.stanford.edu/group/scspi/_media/pdf/pathways/summer_2011/PathwaysSummer11_SmeedingMarks.pdf.

To consider need, our poverty thresholds are constructed based on food, clothing, shelter, and other expenses, which are set at roughly the 33rd percentile of national consumption expenses for a two-child, two-adult family, with adjustments for prices in Wisconsin. This approach differs from the official poverty measure, which is based on three times the cost of a minimally adequate diet in the 1960s, with adjustments for inflation. To estimate the poverty threshold specific to Wisconsin, we begin with the current experimental federal poverty threshold published by the Census Bureau. In 2011, the national threshold was $26,685.[4] Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2011 was $24,079, about $140 more than in 2010. The Wisconsin line is lower than the rest of the nation because the cost of living in Wisconsin is about 10 percent lower than for the nation as a whole. For comparison, the official U.S. poverty line for a two-child, two-adult family in 2011 was $22,811.

In refining the measures of need, we calculated poverty thresholds for families of different sizes through the use of equivalence scales. We also made adjustments to the poverty thresholds based on differences in housing costs across regions in Wisconsin (owners with a mortgage, owners without a mortgage, and renters) and expected medical expenses (which vary across families based on health insurance status, presence of elders, family size, and health status). To determine whether or not a family—and individuals belonging to the family unit—could be considered poor, we compared their comprehensive measure of resources to the relevant threshold or measure of need.

In summary, the WPM helps us to better understand the needs and resources of Wisconsin residents, as well as the impact of policies intended to reduce poverty by lowering expenses and/or increasing resources. Specifically, we account for the effect of policies that help reduce out-of-pocket costs of working, and those that help reduce medical care expenses, such as BadgerCare.

In the next section, we report our results, looking first at data for 2011; we look at poverty overall, and then turn to an examination of poverty for two vulnerable groups (children and the elderly). We then turn to poverty trends during the period from 2008 through 2011.

POVERTY AND THE EFFECTIVENESS OF THE SAFETY NET IN WISCONSIN, BY MEASURE AND POPULATION

Wisconsin Poverty in 2011

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, one-fourth of the state population as a whole is poor, with more than half (53.1 percent) of the elderly and 25.6 percent of children living in families considered poor. These are the three tallest bars in Figure 4 below.

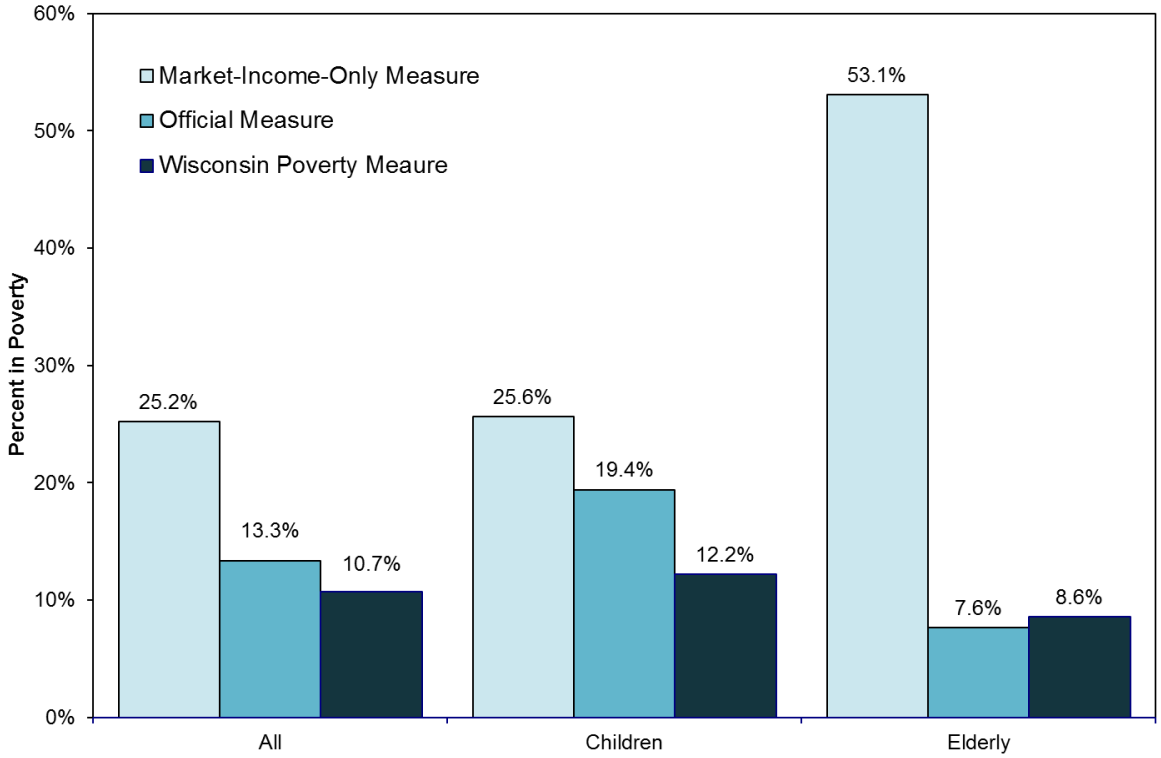
Using the official poverty measure, which takes into account the effect of cash benefits such as Social Security and unemployment insurance, elderly poverty drops dramatically to 7.6 percent and overall poverty drops from 25.2 percent to 13.3 percent. Child poverty under the official measure is also lower than under the market-income measure, but is much higher than other age-group poverty rates at 19.4 percent, in large part because few cash assistance benefits are currently provided to otherwise poor families with children in the United States. Under the official measure, overall poverty lies between the extremes of elderly and child poverty, and was 13.3 percent in 2011.

Under the WPM, the last bar in each subset of Figure 4, child and elderly poverty rates still diverge but the differences are reduced, with a poverty rate of 12.2 percent for children and 8.6 percent for the elderly. Overall

[4]The Census Bureau has calculated four different versions of the NAS-based threshold for 1999–2011, which can be found at http://www.census.gov/hhes/povmeas/data/nas/tables/2011/index.html. We used the version that included medical expenses and the repayment of mortgage principal for owned housing.

poverty is between these at 10.7 percent. The primary reason that child poverty is lower under the WPM than in official statistics is that families with children are eligible for a broader range of tax credits (e.g., the Earned Income Tax Credit is primarily for families with children), and also have markedly higher take-up rates of SNAP and other noncash safety net programs than do individuals without children. In addition, the WPM, unlike the official measure, counts the income of unmarried partners as contributing to family resources; this consideration by the WPM makes a substantial difference in estimating child poverty because many poor children live with single mothers and their unmarried partners. In contrast, elderly poverty is higher under the WPM than it is according to official measures, mainly because these individuals have out-of-pocket medical expenses not considered by the official measure.

Figure 4. Poverty in Wisconsin in 2011 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2011 American Community Survey data.

Note: Market income includes earnings, investment income, private retirement income, child support, and other forms of private income. Both the market-income measure and the WPM are based on the WPM thresholds, definition of family unit, and treatment of work and medical expenses, which differ from the thresholds and methodologies of the official measure, as described in the methods section above.

Trends in Wisconsin Poverty, 2008 to 2011

As already shown in Figure 1, poverty under the WPM was marginally higher in 2011 than in 2010, with similar upticks under both the official and market-income measures. In this fifth annual *Wisconsin Poverty Report*, we find that, according to the WPM, poverty rose from 10.3 percent to 10.7 percent between 2010 and 2011. The increase was not just statewide, but also in the largest county, Milwaukee; in Rock County, home to Janesville; and for the most vulnerable age group, children (see later in report).

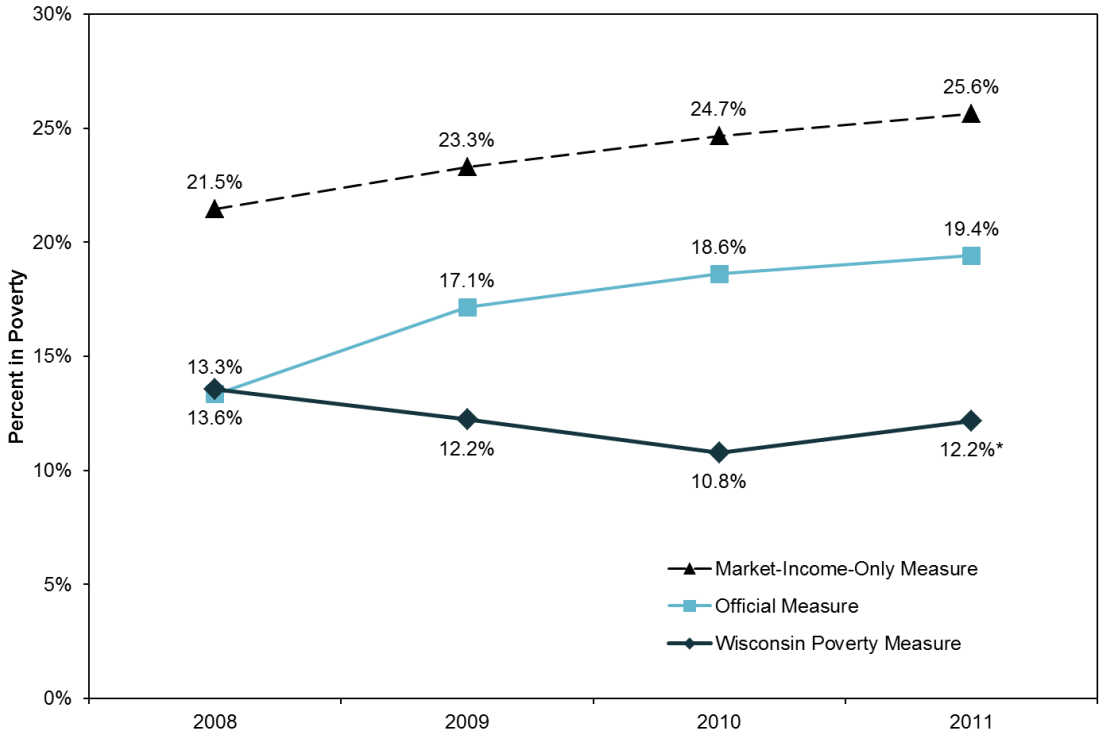
Figure 5 shows this pattern even more clearly in child poverty rates, which rose significantly from 10.8 to 12.2 percent under the WPM, an increase of 1.4 percentage points, compared to a rise of 0.8 points in the official statistics and 0.9 percent in the market-income measure of poverty. Despite the effects of the recession, which

had particularly negative consequences for the income of parents of minor children, expanded benefits provided under the ARRA of 2009 substantially helped families with children avoid poverty through 2010 at least.

The EITC and other refundable tax benefits as well as SNAP benefits were expanded under the ARRA. While the tax effects were implemented retroactively for the full 2009 calendar year, the increase in the amount of SNAP benefits received by families did not take place until partway through 2009, and thus the full effect was not felt until 2010 and continued until 2011. The Making Work Pay (MWP) tax credit provision which was part of the ARRA expired at the end of 2010. While the loss of the MWP tax credit was somewhat offset by the payroll "tax holiday" which began in 2011, the payroll tax holiday was considerably less valuable to the lowest earners. Whereas the MWP credit supplemented earnings by 6.2 percent up to about $13,000 in earnings for a family with children, the payroll tax holiday was a 2.0 percent reduction on the Social Security tax for all earners. For example, a family with $15,000 in earnings in 2011 would get $300 in payroll tax relief, but lose $800 from the repeal of MWP, ending up with $500 less in take-home pay and a greater likelihood of falling below the poverty line (which was $140 higher in 2011 than 2010). In addition, Wisconsin reduced its EITC to 11 percent of the federal credit (from 14 percent) for families with two or more children, beginning in 2011, reducing the state EITC for a $5,000 refundable federal tax credit by $150. These policy changes especially affected families with children, reducing the effect of taxes in cutting child poverty in 2011 compared to 2010, as will be shown below, in Figure 8.

Poverty remains higher among children than any other age group in 2011, as has also been the case in earlier years. Looking just at the WPM measure, the drop in child poverty from 2009 and 2010 was the same 1.4 percentage points as the rise from 2010 to 2011, suggesting that policy changes can indeed have a significant effect in decreasing or increasing child poverty. But, comparing the WPM to the market-based child poverty rate in Wisconsin, anti-poverty policy has offset economically induced increases in market-based child poverty which rose from 23.3 to 25.6 percent from 2009 to 2011.

Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2011

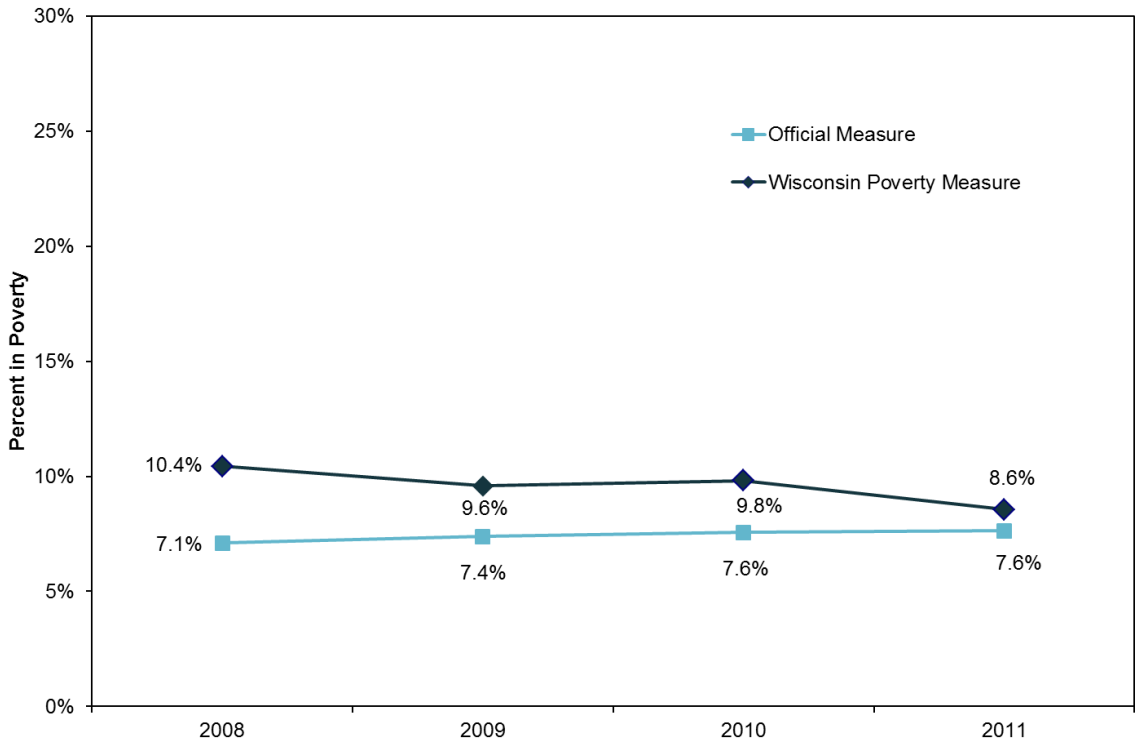


Source: IRP tabulations using 2008–2011 American Community Survey data.

Notes: * = The difference between 2010 and 2011 was statistically significant under the WPM.

As shown in Figure 6, elderly poverty fell from 9.8 to 8.6 percent using the WPM measure, but stayed flat at 7.6 percent under the official measure. Elderly individuals are less likely to be employed than younger individuals, and thus are generally less affected by recession or by changes in tax policy. While they are less likely to receive tax credits or noncash benefits than the nonelderly, they still are helped by housing, energy, and SNAP benefits. And so, the elderly have been experiencing some poverty relief from the expansion of public benefits undertaken in the ARRA. Despite the rise in medical out-of-pocket expenses which eat up a larger fraction of elder incomes year to year, WPM poverty among the elderly was at the lowest level since we began measuring poverty under WPM in 2008, as will be shown below in Figure 9.

Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2011



Source: IRP tabulations using 2008–2011 American Community Survey data.

Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

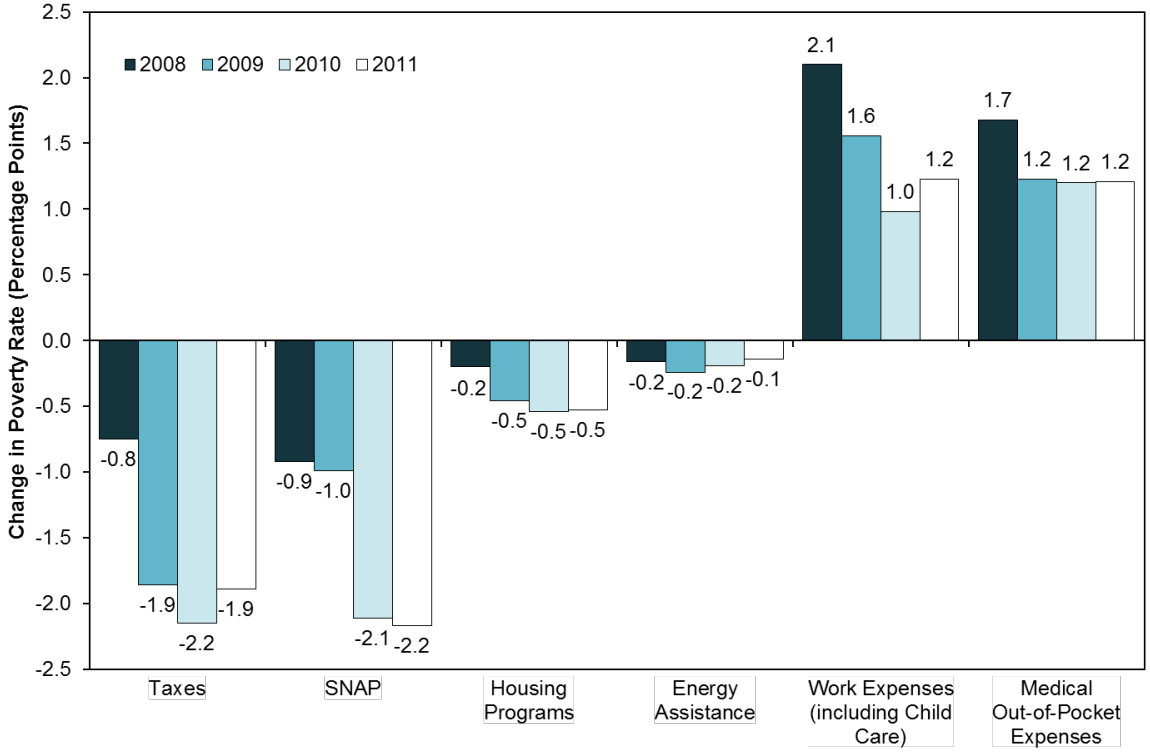
The WPM allows us to examine the economic effects of a wider range of policies aimed at the poor than does the official poverty measure. Partly as a result of welfare reform, the majority of the expansion in public benefits during the recent recession in Wisconsin has been in the form of noncash programs and tax-related benefits tied to work activities, rather than cash transfer programs. And so, it is important to document the effects of these noncash and tax benefits on poverty.

In this section, we estimate what poverty rates would have been if we had not considered noncash and tax benefit receipts, or work-related resources/expenses and medical resources/expenses. The first two policy levers lower poverty rates by increasing disposable income. In addition to the effects of benefits, we indirectly show the impact of expenses on poverty, as policies intended to reduce these expenses are as important as safety net programs in improving the economic well-being of low-income families.

Among the benefit programs examined in this analysis, SNAP benefits had the greatest impact on reducing overall poverty in 2011, with SNAP reducing the percentage of people in poverty by more than 2 percentage points as the program continued to expand (Figure 3; Figure 7). Tax credits and refunds received by families

also had a substantial impact, though less in 2011 than in 2010. The smaller impact of tax credits in 2011 compared to 2010 reflects the decline in tax credits under the ARRA, which were reduced in 2011. In 2010, the antipoverty impact of SNAP was almost as big as the effect of taxes. The impact of SNAP benefits was more than twice as large in 2011 as it was in 2009, with the anti-poverty effect of SNAP increasing every year.

Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2011



Source: IRP tabulations using 2008–2011 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty. This was particularly true in 2010, but less so for 2011. In 2010, tax-related provisions reduced child poverty by 5.8 percentage points and SNAP benefits reduced child poverty by 4.1 percentage points (see Figure 8). In 2011, the poverty-reducing effects of refundable taxes on child poverty fell to 4.8 percentage points while the SNAP effects fell to 3.7 percentage points for families with children (see Figure 8).

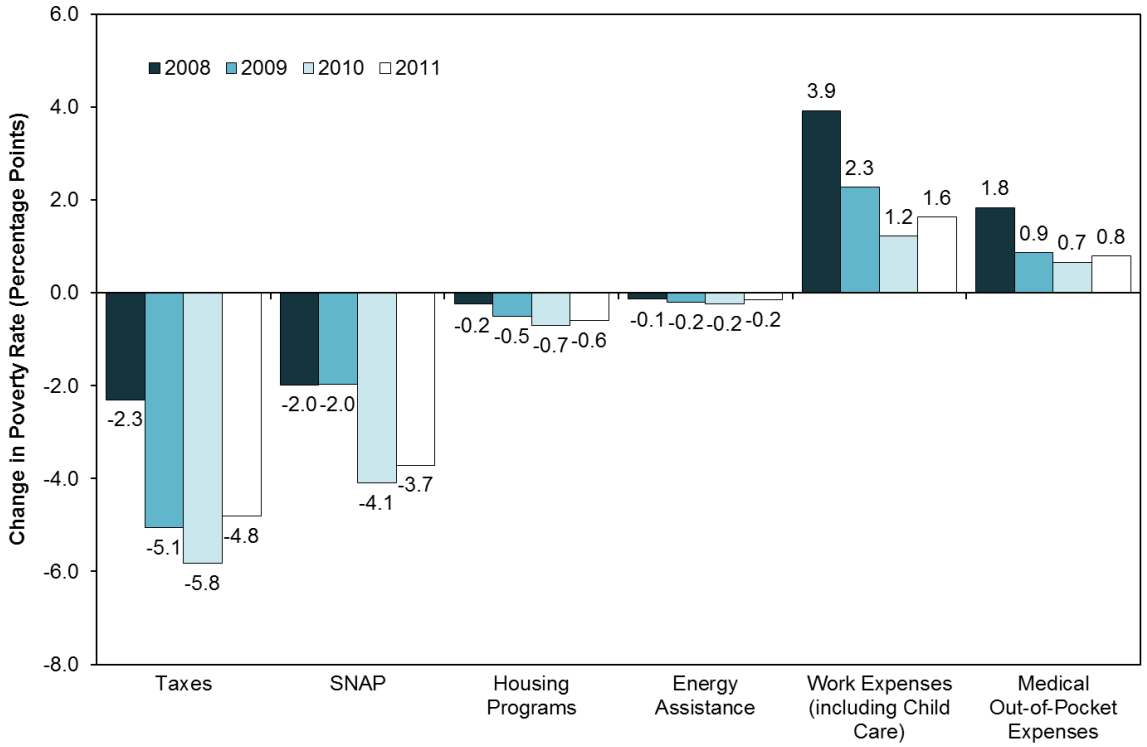
In contrast, taxes had an almost negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by less than 1.0 percentage point during 2011 (see Figure 9). This pattern of tax effects is expected because the largest tax credits are focused on working individuals who are parents of minor children; and SNAP benefits are also more generous to larger families. With regard to SNAP benefits, a relatively small proportion of the elderly tend to be poor enough to meet the income qualifications for SNAP benefits. And even when they do qualify, they are less likely to apply for nutrition benefits than are families with children, possibly because they get less benefit from the program due to their higher incomes. Nonetheless, the effects of SNAP reduced elder poverty by almost 1.0 percentage point in 2011.

Work expenses were more significant for families with children, and they increased in 2011 compared to 2010, thus increasing poverty as more families worked at least some hours in the weakly growing Wisconsin economy. As might be expected, the effects were larger on families with children (Figure 8) than overall (Figure 7) or for the elderly (Figure 9). While medical expenses increased poverty for all groups, the effects of medical expenses were felt more acutely by the elderly, who are more likely to be in need of costlier and sustained

medical care. In general, out-of-pocket medical expenses (e.g., insurance premiums, co-payments for medical services, prescription and over-the-counter drugs, and uninsured medical expenses) present a significant challenge for the low-income elderly. Medical costs increased elder poverty by 2.7 percentage points in 2011 (Figure 9). Public policies designed to increase the coverage of medical expenses for the low-income elderly can help to alleviate the economic hardship felt by this group. More generally, out-of-pocket medical expenses also increased poverty in 2011 for all groups, but with no larger effect in 2011 compared to 2010 for the nonelderly. Among the elders, the effect of medical expenses fell almost 1.0 percentage point between 2010 and 2011, as medical cost increases have finally moderated after the Great Recession. Housing and energy assistance provide modest assistance to all groups, reducing poverty by less than 1.0 percentage point in any year, but with the strongest effects for the elderly.

Altogether, the net poverty-increasing effects of work and medical expenses were far less than the poverty-alleviating effects of noncash benefits, overall and especially for children; and the largest anti-poverty effects were from SNAP and refundable taxes in 2011. For elders, medical cost increases and noncash benefits more or less cancelled out. But, we also note the decreased effectiveness of refundable tax credits in 2011 compared to 2010, which suggests that great care be taken in federal and state tax reforms that would further reduce these benefits and their strong anti-poverty effects, especially for families with children.

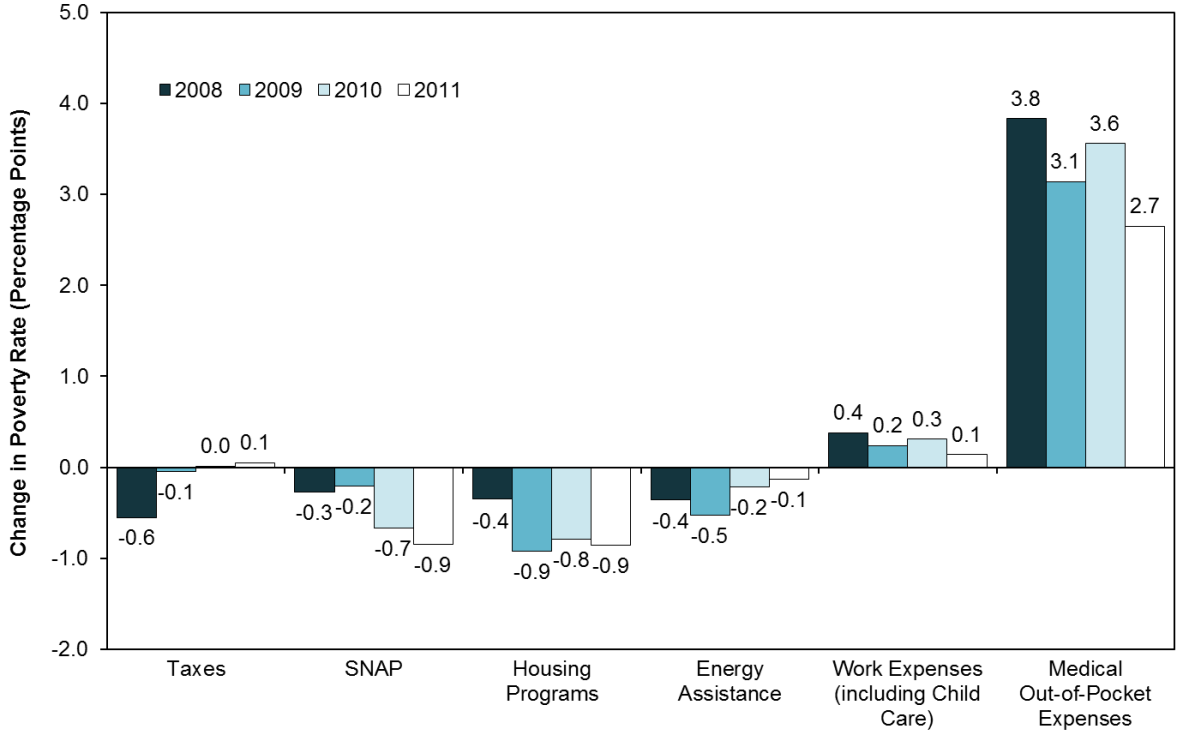
Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2011



Source: IRP tabulations using 2008–2011 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2011



Source: IRP tabulations using 2008–2011 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Poverty within Wisconsin: Poverty Rates by County or Multicounty Substate Areas

A significant strength of the WPM is its ability to portray poverty across regions within the state. Our categorization of substate areas includes 10 large counties and 12 multicounty areas that encompass the remaining areas of the state. While some of the multicounty areas comprise only 2 counties (e.g., Chippewa and Eau Claire), others require as many as 7 to 10 of the more-rural counties in order to reach a sufficient sample size to obtain reliable estimates.

As shown in Table 1 below, our analysis of substate areas reveals that the overall poverty rate hides substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these substate areas range from 17.8 percent in Milwaukee County to 4.5 percent in the area that includes Ozaukee and Washington counties. As shown in Map 1, Milwaukee County and Rock County were the only places where rates were significantly higher than the state average. Milwaukee County still shows the highest poverty rate in the state, increasing from 16.7 percent in 2010 to 17.8 percent in 2011. The Rock County area (including Janesville) suffered the largest increase in poverty, rising by 4.2 percentage points from 11.0 to 15.2 percent from 2010 to 2011. Meanwhile, seven areas have rates that are significantly lower than the statewide rate, including Ozaukee/Washington (4.5 percent), Sheboygan (5.8 percent), Marathon (6.1 percent), and Waukesha (6.4 percent) counties.

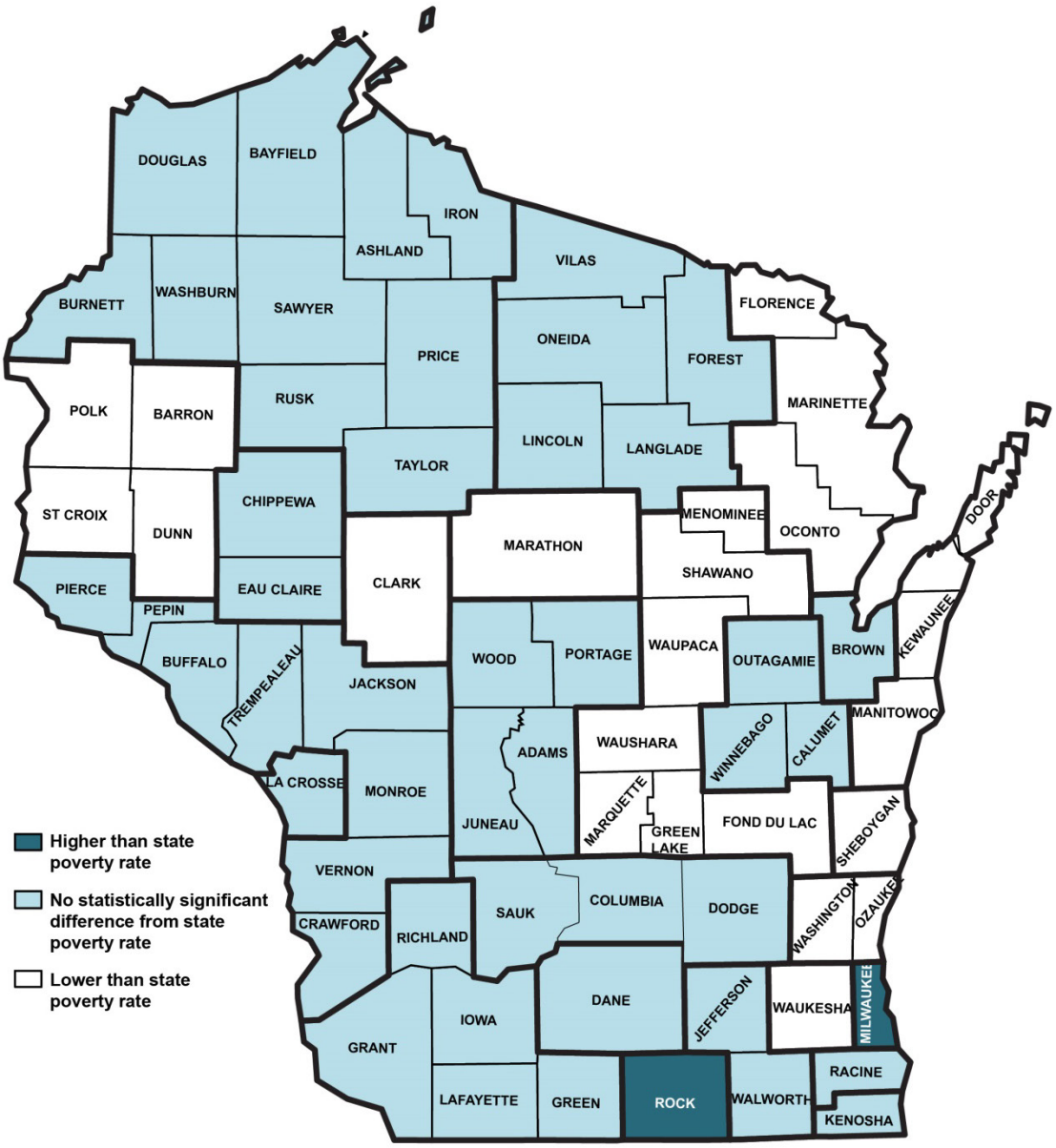
Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2011

	Wisconsin Poverty Measure (%)	Confidence Interval: Lower Bound (%)	Confidence Interval: Upper Bound (%)	Difference from State Average
County				
Milwaukee	17.8	16.2	19.4	Higher
Dane (Madison)	11.5	9.5	13.5	NS
Waukesha	6.4	4.4	8.3	Lower
Brown (Green Bay)	9.6	7.1	12.1	NS
Racine	10.3	7.0	13.7	NS
Kenosha	14.0	9.4	18.5	NS
Rock (Janesville)	15.2	11.5	18.8	Higher
Marathon (Wausau)	6.1	3.5	8.8	Lower
Sheboygan	5.8	3.6	8.1	Lower
La Crosse	10.8	7.1	14.5	NS
Multi-County Area				
Ozaukee/Washington	4.5	1.8	7.1	Lower
Jefferson/Walworth	8.8	6.2	11.4	NS
Chippewa/Eau Claire	11.7	9.3	14.1	NS
Calumet/Outagamie/Winnebago (Appleton)	8.9	6.3	11.6	NS
Columbia/Dodge/Sauk (Baraboo)	9.0	6.7	11.4	NS
5-county area (Menomonie)	8.5	6.8	10.1	Lower
5-county area (Dodgeville)	10.8	8.4	13.1	NS
6-county area (Manitowoc)	7.3	5.8	8.9	Lower
7-county area (Fond du Lac)	7.0	5.6	8.4	Lower
8-county area (Sparta)	10.0	8.2	11.8	NS
9-county area (Stevens Point, Crandon)	10.9	9.1	12.7	NS
10-county area (Superior)	8.9	7.4	10.3	NS
State Total	**10.7**	**10.1**	**11.3**	

Source: IRP tabulations of 2011 American Community Survey data.

Notes: NS = Not statistically significant. In this analysis, each region's difference from the state average was assessed as not statistically significant if the 90 percent confidence intervals for each region's statistics and the state's overall statistics overlap.

Map 1. Wisconsin Counties and Multicounty Areas with 2011 WPM Poverty Rates Above or Below the State Rate of 10.7 Percent



Source: IRP tabulations using 2011 American Community Survey data.

Notes: WPM = Wisconsin Poverty Measure.

Poverty estimates for some regions within the state's largest counties can also be assessed by taking advantage of relatively large sample sizes for ACS data, and poverty rates examined across subcounty regions within Wisconsin may show variations in poverty rates that are more dramatic within counties than across the 22 areas in the state. For instance, *within* Milwaukee County, poverty rates ranged from about 8 percent in some suburban areas to nearly 33 percent in the central city in 2011, suggesting a significant segregation of the poor and the rich within that county. Furthermore, Milwaukee is surrounded by wealthy suburban counties to the north and west, where poverty rates are also notably below the state average (e.g., Waukesha County at 6.4 percent and Ozaukee/Washington counties at 4.5 percent).

CONCLUSION

The Wisconsin Poverty Measure provides new insight into poverty in Wisconsin after the onset of the Great Recession by introducing poverty estimates based on an improved measure that includes noncash benefits and refundable taxes, which increased in importance during the recession but are now being scaled back. The WPM also incorporates other features that better reflect the characteristics, concerns, and interests of our state. In doing so, it demonstrates the importance of using an improved measure of poverty to examine the antipoverty impacts of all major public policies and not just cash benefits alone, while at the same time providing estimates across different regions and subgroups within Wisconsin.

The official poverty measure finds that Wisconsin families had lower levels of cash resources in 2011 than they did in 2010 and, therefore, poverty rose. The WPM also considers near-cash benefits and programs intended to offset increased need caused by the recession. Poverty rates using the WPM suggest that decreases in employment and earnings in 2011 were offset to a considerable extent through increases in refundable tax credits and noncash benefits, though not enough to forestall increases in both overall and child poverty from 2010 to 2011, including a statistically significant rise in child poverty from 10.8 to 12.2 percent. While targeted benefits with strong take-up rates were very helpful in keeping struggling Wisconsin families from poverty during the Great Recession, the anti-poverty effectiveness of refundable tax credits declined significantly in 2011 compared to 2010 as both the federal government and the State of Wisconsin enacted policy changes to lessen these benefits. In contrast, the strong anti-poverty effects of SNAP continued in 2011.

In this report, the WPM was also used to estimate the extent to which specific noncash benefits and tax-related provisions or medical and work-related expenses affect poverty. Results suggest that SNAP and tax credits have been particularly effective in reducing the state's poverty rate, especially for families with children, but not as much so in 2011 compared to 2010. We also examined poverty rates across regions in the state, revealing deep poverty in some areas, including central Milwaukee. The WPM could also be used to examine other demographic groups, such as racial and ethnic groups, were there resources available to do so.

It is important for researchers and policymakers to ask not only whether an income support policy was effective in reducing poverty, but also what better solutions might alleviate longer-term poverty as we emerge from the recession. Long-term poverty solutions for working families should include employment opportunities with wages and employer benefits that can meet family needs and increase economic self-sufficiency. Long-term solutions also need to include policies that support work by reducing work-related expenses for families with children, especially where there is only one parent who works or where both parents work full time.

It is also important to note that the adverse effects of the recession went beyond the poor and near-poor to also affect the lower middle class, who experienced declining home values, increased debt levels, and also flat or falling incomes that are pinched by rising expenses. Indeed, we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program. But as this report shows, in times of need, a safety net that enhances low earnings for families with children, puts food on the table, and encourages self-reliance—as Wisconsin's safety net does—can make a difference in combatting market-driven poverty. This year's report also shows that when such benefits are reduced in a still-struggling economy like ours, the effect is to increase poverty, especially for families with children.

Our Wisconsin Poverty Project is one of the first comprehensive statewide implementations of the National Academy of Sciences-based alternative poverty measure and, as such, the study makes unique contributions to our understanding of the effects of policy on poverty. Furthermore, we are strongly committed to refining our methods as the Census Bureau and other poverty researchers produce new findings about the federal Supplemental Poverty Measure and as we learn more from other poverty measurement research at the state, local, and federal levels.

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