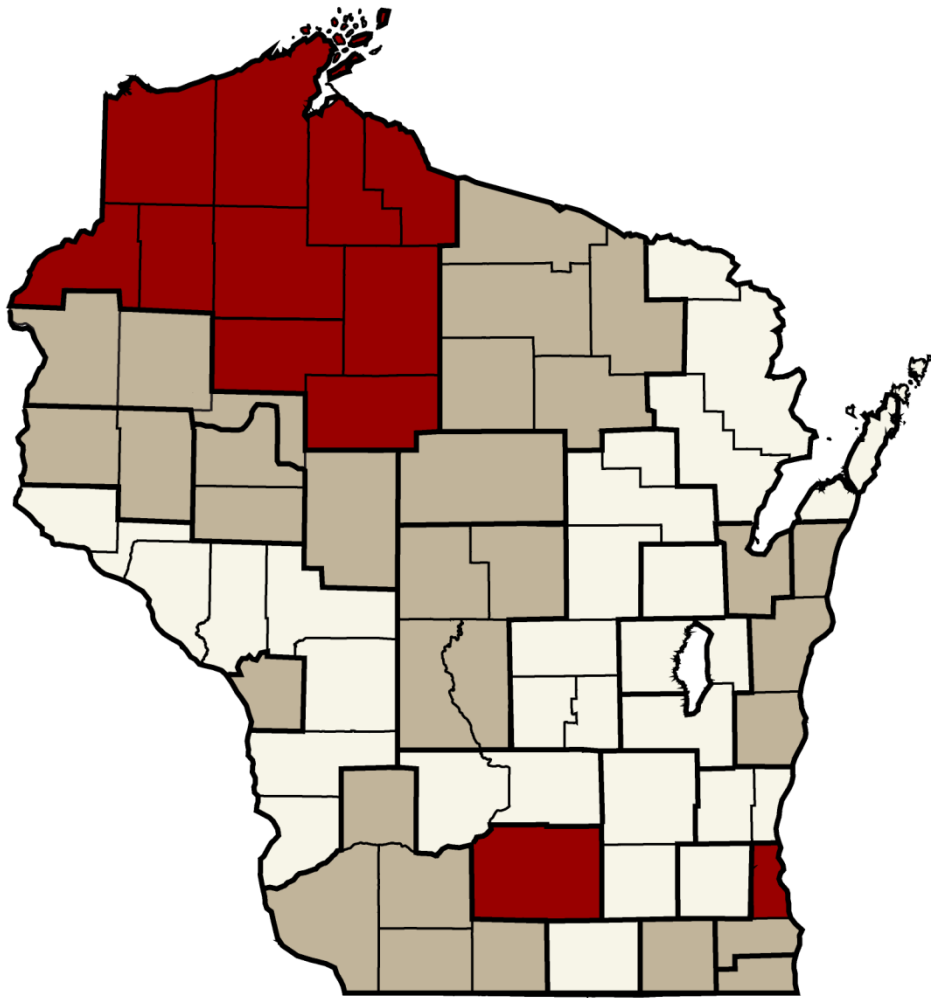


Wisconsin Poverty Report: Jobs Recover to Help Reduce Poverty in 2012

The Sixth 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 sixth—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. Details about our model, including programming and other technical details, are available online. See <http://www.irp.wisc.edu/research/wipoverty.htm> for more information on earlier reports and technical details.

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 <http://www.irp.wisc.edu/research/wipoverty.htm>.

¹See 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.

COVER MAP KEY: Map depicts 2012 poverty rates using the Wisconsin Poverty Measure. Areas below the state average of 10.2 percent are light tan, beige areas have no statistically significant difference from 10.2 percent, and cranberry red areas are higher than 10.2 percent. See page 15 for further details.

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EXECUTIVE SUMMARY

In brief, employment is not back to pre-recession levels and work support programs, especially refundable tax credits and food assistance (Supplemental Nutrition Assistance Program or SNAP), are still helping working families escape poverty. Yet the economy is slowly turning around and the combination of greater earnings, tax credits, and SNAP are moving many people over the poverty threshold, especially those in families with children.

Behind this story is the impact of tax-related provisions and near-cash benefits as well as earned incomes. 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 Wisconsin Poverty Measure (WPM), now in its fifth year, to account for the needs and resources of Wisconsin families while taking the antipoverty impact of policies into account. In determining poverty status, the WPM considers cash resources, but also taxes paid (for instance, payroll taxes on earnings), refundable tax credits and noncash benefits, as well as costs like child care and health care that reduce available resources.

Additional findings of our report also demonstrate a diversified experience of poverty in Wisconsin after the recovery from the Great Recession. The decrease in poverty for children is larger than the decrease in poverty for all individuals under the official measure and the WPM; according to the WPM it fell from 12.2 to 11.0 percent from 2011 to 2012. When we examine how specific noncash benefits, tax-related provisions, and medical and work-related expenses affect poverty, we find that food benefits reduced child poverty by less in 2012 than in 2011, while refundable tax credits still made the largest difference in child poverty. We also examine poverty rates across regions within the state, revealing deep poverty in some areas, especially central Milwaukee and Madison (Dane County).

Our key finding is that jobs, earnings, and wages are beginning to rise again in Wisconsin, lessening the impact of the safety net on poverty as benefits are lower because of higher earnings. The social safety net provided a buffer against poverty during the Great Recession and still makes a very big difference in poverty, though it is now shrinking because of the recovery and some cutbacks in recession-related spending on refundable tax credits.¹ Because we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program, these results give hope that as the economy slowly climbs back from the recession, increases in earnings will continue to reduce market-income poverty, though we still have a long way to go to return jobs in Wisconsin to their January 2008 peak. Still, 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 poverty as the labor market slowly rebounds.

¹See last year's Wisconsin Poverty Report at <http://www.irp.wisc.edu/research/WisconsinPoverty/pdfs/WI-PovertyReport2013.pdf>.

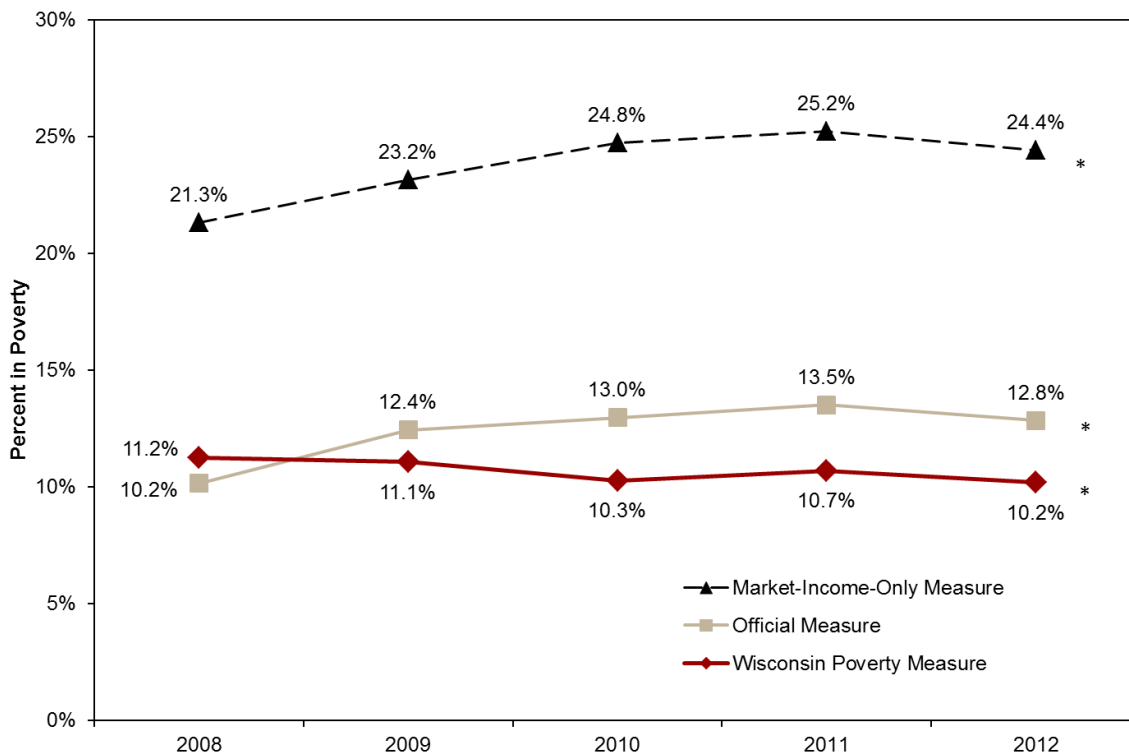
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INTRODUCTION

Over the course of the Great Recession—the worst recession in the postwar era—and as the economy slowly recovers, 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 both the economy and public policies on poverty. National authorities declared that the recession ended in June 2009, but numerous economic indicators continue to signal a fragile recovery. Wisconsin still has employment levels far below the 2008 peak, but by the end of 2012 had added back about a third of the jobs lost during the Great Recession (see Figure 2 below). In the context of this slow recovery, accurate appraisal of economic resources and needs and the way that programs help enhance earnings and supplement the incomes of the poor still remains important, as we see below.

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 2012, 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, 2008–2012



Source: IRP tabulations using 2008–2012 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 (mainly earnings, but also investment income, private pensions), we see that overall poverty rates have finally decreased, consistent with a slow but steady 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). Trends in poverty according to the official measure are similar to those shown by the market-income measure, with the official poverty rate also falling in 2012.

The overall poverty rate as calculated by the WPM has also declined, to 10.2 percent in 2012, the lowest poverty rate since the WPM was first measured in 2008. 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 low market incomes in Wisconsin, particularly during the worst of the recession. 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. The report focusing on 2010 showed that work supports and other safety net programs continued to expand that year, helping Wisconsin families enough to reduce poverty, despite worsening labor market conditions in the state. Last year's report on 2011 saw an increase in poverty in 2011, from 10.3 to 10.7 percent with little recovery in the labor market. But in 2012, poverty fell back to 10.2 percent from the combined effects of the slowly improving labor market and the continued strong impacts of the safety net.¹

Our findings that poverty is falling, and is below the official rates, should not be interpreted as saying that the recession has not been a source of hardship in Wisconsin. Many of the new jobs we have created are only part-time jobs in the low-wage service sector (retail, fast food industry). And the net job loss since January 2008 was still over 100,000 jobs by November 2012, when the income and program data covered in this report end. 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 the overall economy is finally beginning to rebound enough to see a statistically significant decline in market-based poverty.

Organization of this Report

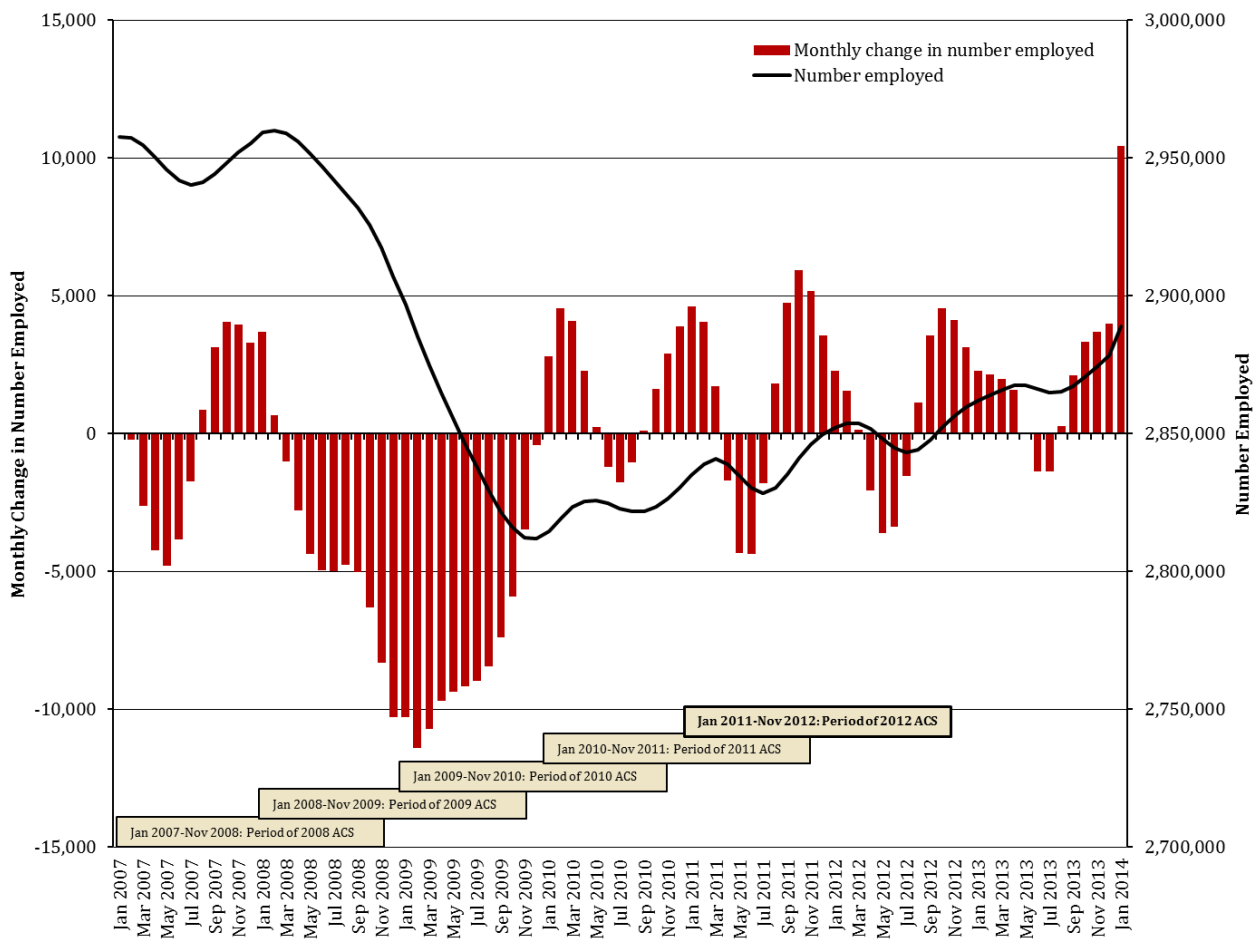
The remainder of this report expands upon the key findings from Figure 1 in the following manner. First, we consider Wisconsin's economic and policy situation during these years of recession and the slowly emerging recovery. Second, we briefly discuss the methodology of the Wisconsin Poverty Measure and how it differs from the official poverty measure. Third, we examine results in 2012, and trends for the 2008 to 2012 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.

¹For the full series of *Wisconsin Poverty Reports*, 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 basic methodology was used in estimates for 2009 through 2012 (although some of the sub-state areas on which we report poverty changed between 2011 and 2012 due to changes in the geographic boundaries of the Public Use Microdata Areas [PUMAs] used by the Census Bureau). However, 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.

WISCONSIN'S ECONOMY AND PROGRAM PARTICIPATION DURING THE RECESSION

The rise and, now, fall in Wisconsin poverty that is visible in the market-income, official, and WPM measures reflects the recovery of employment in the state since 2009. Wisconsin experienced a job uptick from 2010 to 2012, which has continued into 2013 (see Figure 2 below and note that job gains in both 2011 and 2012 affected the 2012 poverty rate measured in this report). At the end of 2012, Wisconsin had about 42,000 more jobs than at the beginning of 2010, 21,000 of them gained over the period covered by this report. While this progress is reflected in the market-income poverty rates in Figure 1, we still have a long way to go, as employment at the end of 2012 was about 102,000 jobs less than the early 2008 pre-recession peak. Next year's report should show about the same 21,000 job gain from January 2012 through November 2013, but with Wisconsin still 75,000 to 80,000 jobs short of the January 2008 peak (see Figure 2).

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



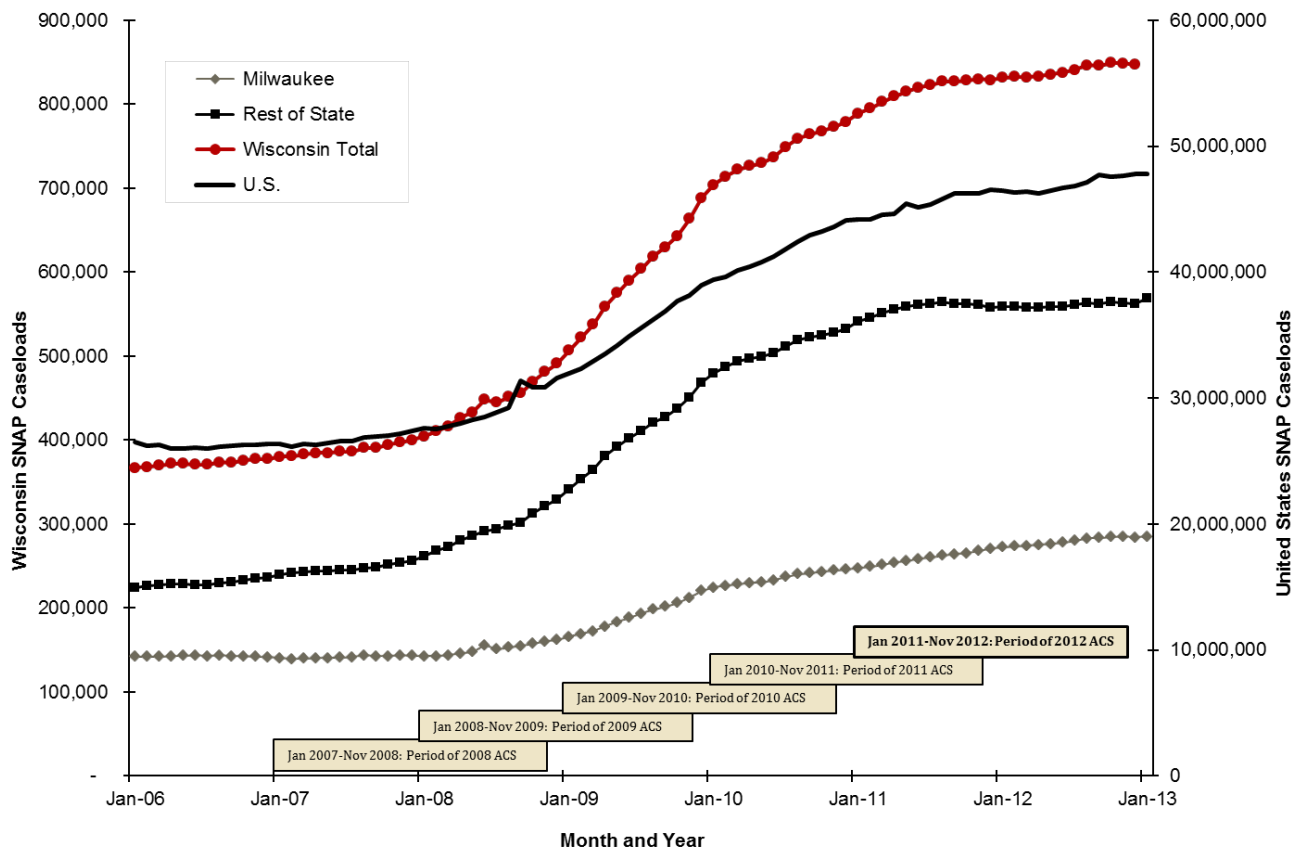
Source: Seasonally adjusted Bureau of Labor Statistics data on total non-farm employment.

Notes: The 2012 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 January 2012 (an increase of 119 percent), compared to a 76 percent increase in the nation as a whole during the time considered. Between 2007 and 2012, the increase in SNAP caseloads was steeper outside of Milwaukee than in Milwaukee, a long-term high-poverty area. Between January 2011 and November 2012, the time period covered by the 2012 ACS, the SNAP caseload in both Wisconsin and the United States grew by only 8 percent, including only 2 to 3 percent growth since January 2012. This leveling of SNAP caseloads, which are actually now falling in Wisconsin areas outside of Milwaukee, is another sign of the recovering economy.

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.

Note: 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), which is very close to that recommended by the NAS committee.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 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 thanks to 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 2012 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.⁴

We examine poverty in 28 areas in Wisconsin, including 13 large (more densely populated) counties and 15 multicounty areas that encompass relatively small (less densely populated) counties.⁵ 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

²In 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 2012 was released in 2013, and is available online at <http://www.census.gov/prod/2013pubs/p60-247.pdf>.

³For more about the Wisconsin Idea and the history of the Wisconsin Poverty Report, 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, at http://www.stanford.edu/group/scspi/_media/pdf/pathways/summer_2011/PathwaysSummer11_SmeedingMarks.pdf.

⁴Differences in surveys and poverty measures for the United States and Wisconsin can be found in D. S. Johnson and T. M. Smeeding, "A Consumer's Guide to Interpreting Various U.S. Poverty Measures," *Fast Focus* 14, Institute for Research on Poverty, Madison, WI, May 2012, at <http://www.irp.wisc.edu/publications/fastfocus/pdfs/FF14-2012.pdf>.

⁵Previous reports examined poverty in 22 areas, including 10 large counties and 12 multi-county areas. The change reflects the fact that the Census Bureau has redrawn the boundaries of some of the Public Use Microdata Areas (PUMAs) that are used to form the geographic areas for our poverty measure.

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 single 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 0.1 percentage points, 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 and 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.

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 2012, the national threshold was \$26,731.⁶ Our baseline poverty threshold (i.e., the threshold for a two-child, two-adult family) for Wisconsin in 2012 was \$24,121, only about \$42 more than in 2011. 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 2012 was \$23,283.

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 2012. 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 2012.

⁶The Census Bureau has calculated four different versions of the NAS-based threshold for 1999–2012, which can be found at <http://www.census.gov/hhes/povmeas/data/nas/tables/2012/index.html>. We used the version that included medical expenses and the repayment of mortgage principal for owned housing.

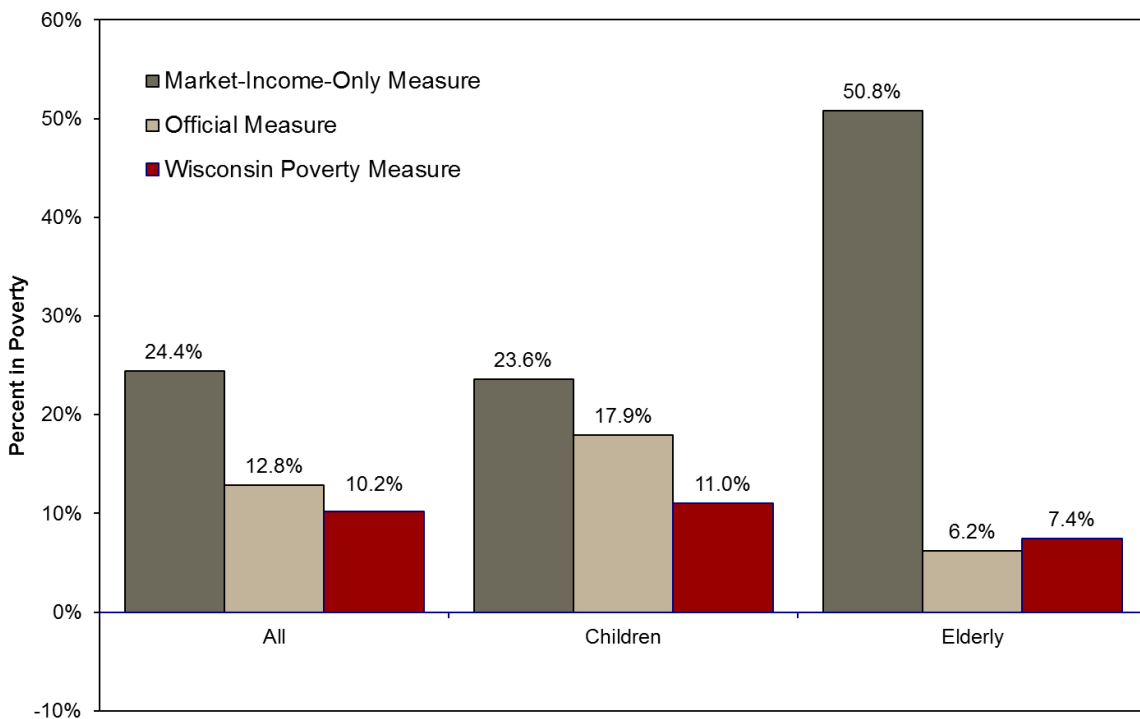
POVERTY AND THE EFFECTIVENESS OF THE SAFETY NET IN WISCONSIN, BY MEASURE AND POPULATION

Wisconsin Poverty in 2012

Under the market-income measure of poverty, which counts only earnings and other private income and ignores all government benefits and taxes, about one-fourth of the state population as a whole is poor, with more than half (50.8 percent) of the elderly and 23.6 percent of children living in families considered poor. These are the three tallest bars in each segment of 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 6.2 percent mainly due to cash benefits under the Social Security program. 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 17.9 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 12.8 percent in 2011.

Figure 4. Poverty in Wisconsin in 2012 by Measure: Overall and for Children and the Elderly



Source: IRP tabulations using 2012 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 above.

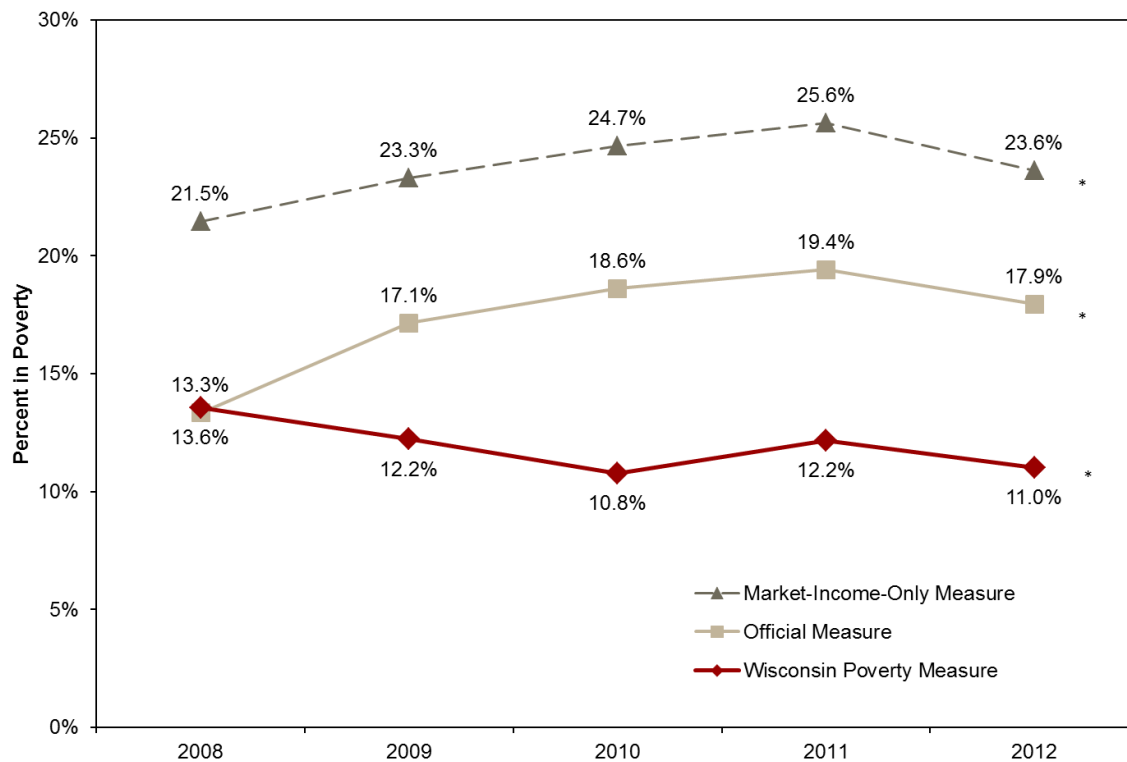
Under the WPM, the last bar in each subset of Figure 4, child and elderly poverty rates still diverge but the differences are reduced, with a poverty rate of 11.0 percent for children and 7.4 percent for the elderly. Overall poverty is between these at 10.2 percent. The primary reasons that child poverty was 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.

Trends in Wisconsin Poverty, 2008 to 2012

As already shown in Figure 1, poverty under the WPM was lower in 2012 than in 2011, with similar declines under both the official and market-income measures. In this sixth annual *Wisconsin Poverty Report*, we find that, according to the WPM, poverty fell from 10.7 percent to 10.2 percent between 2011 and 2012. Figure 5 shows this pattern even more clearly in child poverty rates, which declined significantly, from 12.2 to 11.0 percent under the WPM, a decrease of 1.2 percentage points, compared to a similar decline of 1.5 percentage points in the official statistics and a full 2.0 percentage point decline in the market-income measure of poverty. The recovering economy helped move families with children out of poverty in 2012. In addition, families with children continued to benefit from benefits expanded under the American Recovery and Reinvestment Act of 2009 (ARRA).

Figure 5. Child Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

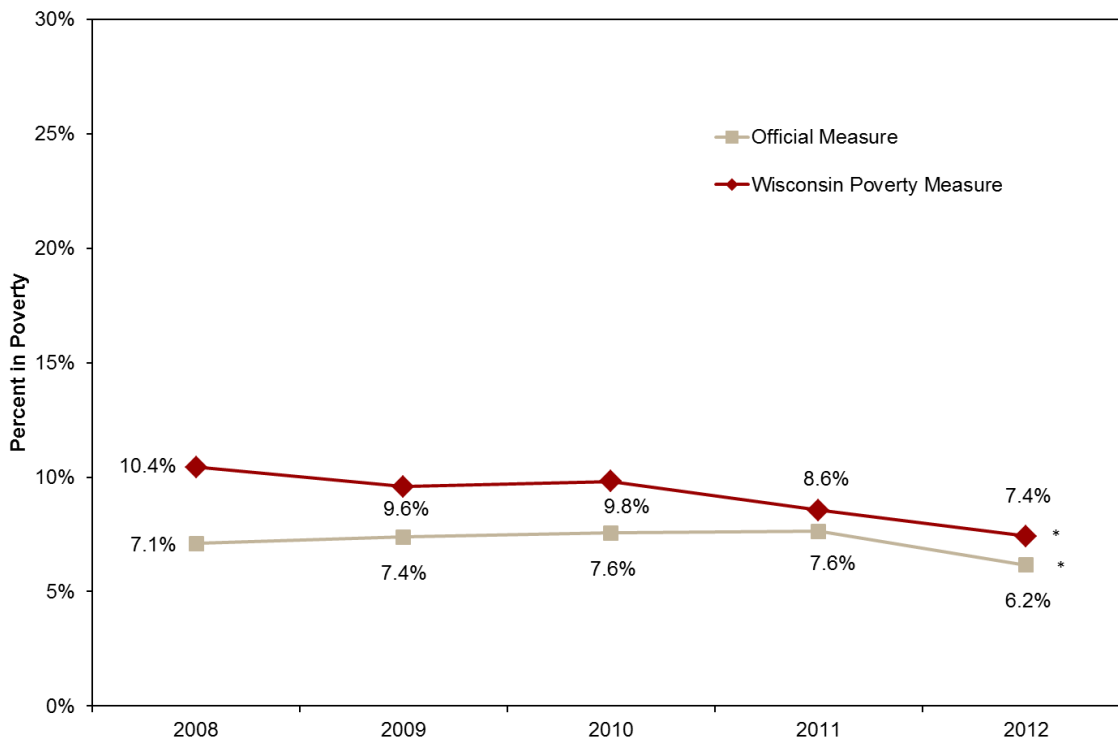
Note: * = The difference between 2011 and 2012 was statistically significant for all three measures.

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 and beyond, the increase in the amount of SNAP benefits received by families did not take place until partway through 2009, and were still in effect at the end of 2012 (though it expired in November 2013). Both programs continued to have large anti-poverty effects in 2012, especially for families with children.

Poverty remains higher among children than any other age group in 2012, as has also been the case in earlier years, but the trend in all three measures is downward. Looking just at the WPM, the drop in child poverty from 2011 to 2012 brings the rate back almost to its 2010 level. And this time, a larger fraction of the decline can be attributed to changes in the improving economy, as seen in the decline in the market-income-based poverty measure. In 2012, both the economic situation and the safety net system worked together to reduce child poverty in Wisconsin. While the economic recovery is still anemic, this is the first year in which it reduced the market-based poverty rate for families with children. The net effect of both systems is a clear downward trend from 2008 to 2012 in WPM-based child poverty in Wisconsin. The official measure of poverty for children also improved, but it was almost 8 percentage points above the WPM in 2012. In contrast with the WPM, the five-year trend in child poverty in the official poverty rates is still upward, despite the improvement from 2011 to 2012. The growth in non-cash benefits and tax credits explains most of the difference in trends for these two measures.

Elderly poverty fell from 8.6 to 7.4 percent using the WPM, compared to an even larger decline in the official measure, from 7.6 to 6.2 percent. 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. Instead, the low-market-income elderly are mainly taken out of poverty by Social Security benefits, as each new generation of elders have longer and better job histories and therefore receive higher Social Security benefits than the previous generation. While they are less likely to receive tax credits or noncash benefits than the nonelderly, they still are helped by housing, energy, and increasingly, by SNAP benefits. Despite the rise in medical out-of-pocket expenses which eat up a larger fraction of elder incomes from year to year, WPM poverty among the elderly was at the lowest level since we began measuring poverty under the WPM in 2008, as shown below in Figure 6.

Figure 6. Elderly Poverty Rates in Wisconsin under Different Poverty Measures, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: * = The difference between 2011 and 2012 was statistically significant for both measures.

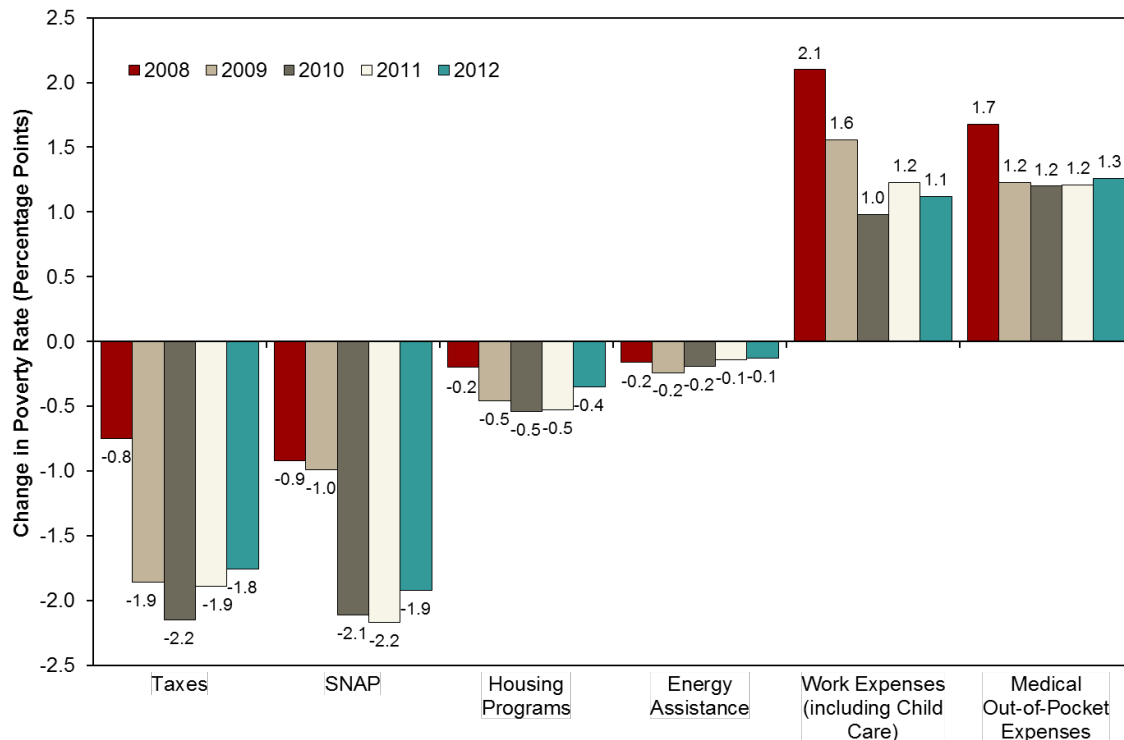
Using the Wisconsin Poverty Measure to Assess the Effect of Policies on Poverty

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 and the growing importance of earnings, even at low-paid jobs, the majority of the expansion in public benefits during the recent recession in Wisconsin, and continuing on since, 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 2012, with SNAP reducing the percentage of people in poverty by 1.9 percentage points, a bit below last year's 2.2 percent (Figure 7). As market incomes rise, SNAP benefits are reduced and fewer individuals qualify for benefits. Thus, a decrease in SNAP's importance in reducing poverty is to be expected in times of recovery. The second largest effect was from work-related refundable tax credits, like the EITC.

Figure 7. Effects of Taxes, Public Benefits, and Expenses on Overall Poverty in Wisconsin, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

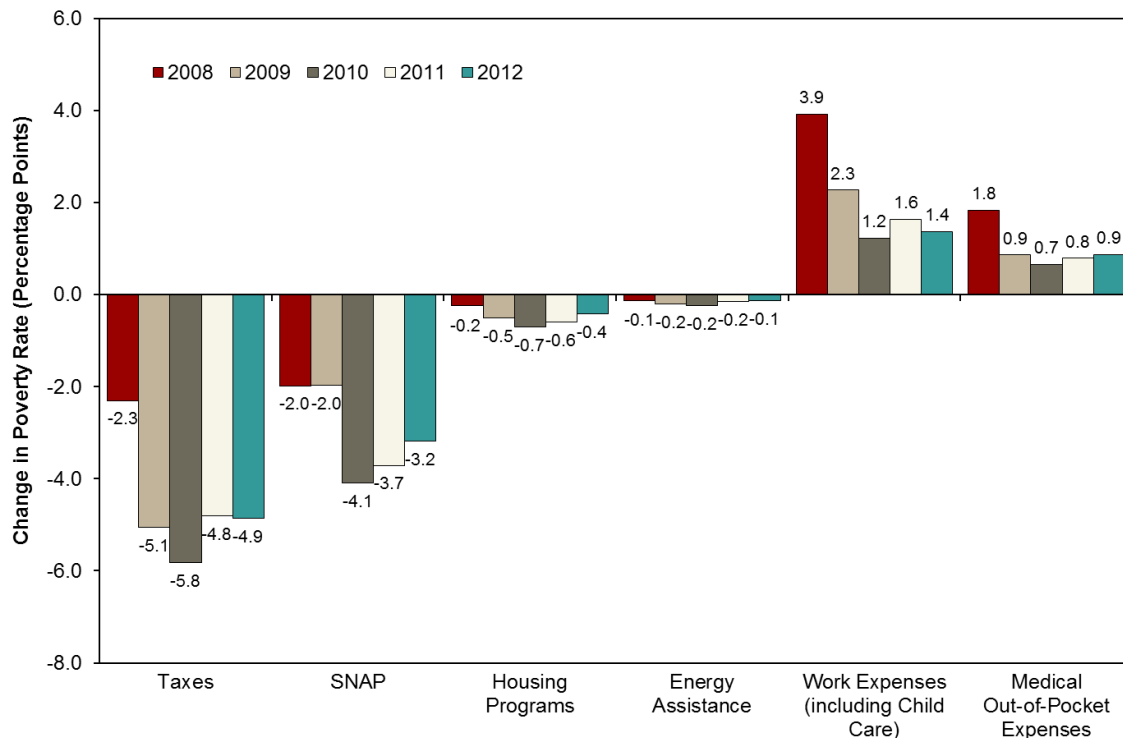
Note: SNAP = Supplemental Nutrition Assistance Program.

Both taxes and SNAP had a larger impact on reducing child poverty than overall poverty. This was particularly true in 2012, where tax-related provisions reduced child poverty by 4.9 percentage points and SNAP benefits reduced child poverty by 3.2 percentage points (see Figure 8). Refundable tax credits like the EITC had the greatest impact on reducing child poverty in 2012, reducing it by 4.9 percentage points, slightly up from last year. While the effect of increased earnings on the antipoverty effectiveness of refundable tax credits is harder to

assess as higher earnings can either increase or decrease refundable tax credit benefits, the larger effect we see in 2012 is consistent with an increase in work among low-income parents with children. Again the effect of SNAP benefits on poverty fell as earnings rose in 2012.

In contrast, taxes had a negligible effect on elderly poverty, and SNAP benefits reduced elderly poverty by a bit more than 1.1 percentage points during 2012, the highest impact since we began to publish the WPM (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, but enrollment and the program’s effects on poverty in Wisconsin continued to increase in 2012.

Figure 8. Effects of Taxes, Public Benefits, and Expenses on Child Poverty in Wisconsin, 2008–2012



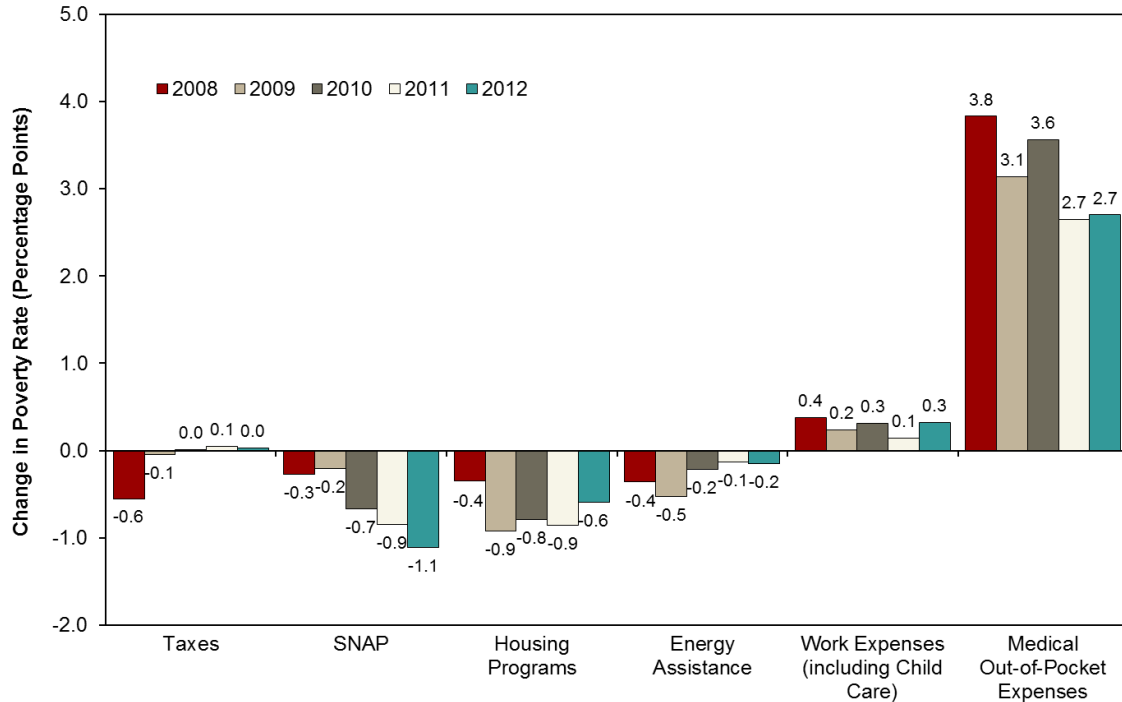
Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

Work expenses were more significant for families with children, and they stayed about the same in 2012 compared to 2011. The effects of work-related expenses should be larger when earnings increase, but work-related expenses had about the same or even a marginally lower impact on poverty in Wisconsin in 2012. 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 2012, the same amount as in 2011, despite the fact that the allowance for medical expenses increased the poverty threshold by 3.5 percentage points in 2012 compared to their 2011 level (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 2012 for all groups, but with only a marginally larger effect in 2012 compared to 2011 for the nonelderly. 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.

Figure 9. Effects of Taxes, Public Benefits, and Expenses on Elderly Poverty in Wisconsin, 2008–2012



Source: IRP tabulations using 2008–2012 American Community Survey data.

Note: SNAP = Supplemental Nutrition Assistance Program.

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 antipoverty effects were from SNAP and refundable taxes in 2012. For elders, medical cost increases and the sum of all noncash benefits more or less cancelled each other out.

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 13 large counties and 15 multicounty areas that encompass the remaining areas of the state. While some of the multicounty areas comprise only two counties (e.g., Sauk and Columbia), 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 sub-state areas reveals that the overall poverty rate hides substantial variations in poverty across Wisconsin regions. Estimates for poverty rates using the WPM for these sub-state areas range from 18.8 percent in Milwaukee County to 4.5 percent in Waukesha County. As shown in Map 1, Milwaukee County, Dane County, and the sparsely populated Northwest Superior region were the only places with rates significantly higher than the state average of 10.2 percent. Milwaukee County still shows the highest poverty rate in the state, and has increased from 17.8 percent in 2011 to 18.8 percent in 2012, countering the statewide trend in flat or falling poverty. Meanwhile, eleven areas have rates that are significantly lower than the

statewide rate, including Waukesha (4.5 percent); Ozaukee/Washington (4.9 percent); Fond du Lac/Calumet (5.2 percent); Marinette/Oconto/Door/Florence (5.8); and Winnebago (6.3 percent) counties.

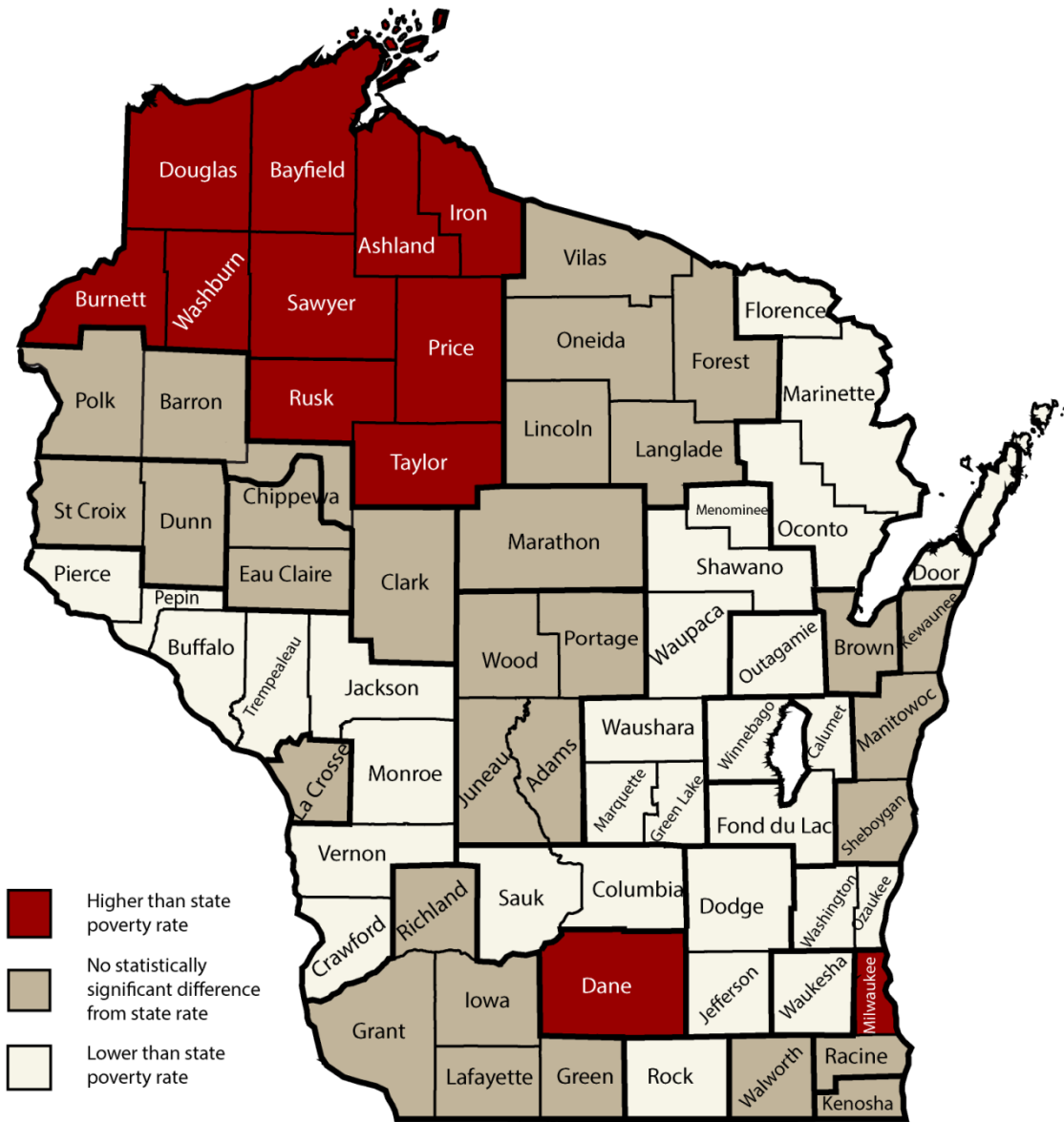
Table 1. Wisconsin WPM Poverty Rates by County or Multicounty Area with Upper and Lower Bounds, 2012

County	Wisconsin Poverty Measure (%)	Confidence Interval: Lower Bound (%)	Confidence Interval: Upper Bound (%)	Difference from State Average
County				
Milwaukee	18.8	17.2	20.3	Higher
Dane (Madison)	12.5	10.8	14.3	Higher
Waukesha	4.5	3.3	5.6	Lower
Brown (Green Bay)	10.5	8.0	13.1	NS
Racine	7.5	5.1	9.9	NS
Kenosha	8.5	5.7	11.3	NS
Rock (Janesville)	7.3	5.0	9.5	Lower
Marathon (Wausau)	8.1	5.1	11.1	NS
Sheboygan	8.7	5.7	11.6	NS
La Crosse	12.4	8.9	15.8	NS
Outagamie (Appleton)	7.1	4.8	9.4	Lower
Winnebago (Oshkosh)	6.3	4.1	8.4	Lower
Walworth (Whitewater)	9.2	6.1	12.4	NS
Multi-County Area				
Washington & Ozaukee (West Bend)	4.9	3.2	6.6	Lower
Sauk & Columbia (Baraboo)	6.7	4.4	9.1	Lower
Dodge & Jefferson	7.3	5.5	9.2	Lower
Manitowoc & Kewaunee	7.5	4.4	10.6	NS
Fond du Lac & Calumet	5.2	3.7	6.7	Lower
St. Croix & Dunn	7.7	5.5	10.0	NS
Eau Claire & Chippewa (South)	11.5	8.6	14.4	NS
Barron, Polk, Clark & Chippewa (North)	10.4	8.3	12.5	NS
Marinette, Oconto, Door & Florence	5.8	4.1	7.6	Lower
Central Sands—Wood, Portage, Juneau & Adams	9.0	6.7	11.4	NS
Oneida, Lincoln, Vilas, Langlade & Forest	9.7	6.6	12.7	NS
Grant, Green, Iowa, Richland & Lafayette	8.4	6.4	10.3	NS
East Central Wisconsin	6.9	5.1	8.7	Lower
West Central Wisconsin—Northern Mississippi Region	7.8	6.2	9.3	Lower
Northwest Wisconsin	14.6	11.9	17.2	Higher
State Total	10.2	9.7	10.7	

Source: IRP tabulations of 2012 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% confidence intervals for each region's statistics and the state's overall statistics overlap.

Map 1. Wisconsin Counties and Multicounty Areas with 2012 WPM Poverty Rates Above or Below the State Rate of 10.2 Percent



Source: IRP tabulations using 2012 American Community Survey data.

Note: 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. Poverty rates examined across sub-county regions within Wisconsin may show variations in poverty rates that are more dramatic within counties than across the 28 areas in the state. For instance, within Milwaukee County, overall poverty rates ranged from about 8.6 percent in one southwestern sub-county area to 41.6 percent in the central city of Milwaukee in 2012, suggesting a significant segregation of the poor and the rich within that county. The differences in child poverty in Milwaukee were even larger, ranging from 2.3 percent in northwestern Milwaukee County to over 53 percent in central city Milwaukee. Indeed the plight of minority children in the entire state, and especially in central Milwaukee, has

been recently noted in the Annie E. Casey Foundation's *Kids Count* report for 2014.⁷ Furthermore, Milwaukee is surrounded by wealthy suburban counties to the north and west, where overall poverty rates are also notably below the state average (e.g., Waukesha County at 4.5 percent and Ozaukee/Washington counties at 4.9 percent).

CONCLUSION

The Wisconsin Poverty Measure provides new insight into poverty in Wisconsin as we recover slowly from the Great Recession. These insights come because the WPM provides poverty estimates based on an improved poverty measure that includes noncash benefits and refundable taxes, both of which increased in importance during the recession. 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 the economy and of all major public policies and not just cash benefits alone. At the same time, it provides estimates across different regions and subgroups within Wisconsin.

Poverty rates in Wisconsin fell between 2011 and 2012 under all three poverty measures covered in this report. For the first time in five years, the market-income poverty rate has declined, from 25.2 to 24.4 percent, mainly reflecting increases in household earnings. The official poverty statistics provided by the U.S. Census Bureau also suggest that poverty in the state fell, to 12.8 percent in 2012 from its 2011 level of 13.5 percent, again reflecting increased earnings. This indicates that Wisconsin residents generally had higher pre-tax but post-transfer cash resources, especially in the form of Social Security benefits. When we look to our Wisconsin Poverty Measure (WPM), which includes these benefits, we find that state poverty has fallen between 2011 and 2012, from 10.7 to 10.2 percent, and remains about 2.6 percentage points below the official rate. The benefits from the safety net (especially food support and refundable tax credits) also played a large role in poverty reduction, though not quite as large as in recent years.

Our key finding is that jobs and earnings are beginning to modestly rise again in Wisconsin, lessening the impact of the safety net on poverty as benefits are lower because of higher earnings. The social safety net provided a buffer against poverty during the recession and still makes a very big difference in poverty, though it is now beginning to level off or even shrink, both because of the recovery and because of some cutbacks in recession-related spending on refundable tax credits.

Because we believe that the long-term solution to poverty is a secure job that pays well, not an indefinite income support program, these results give hope that as the economy slowly climbs back from the recession, increases in earnings will continue to reduce market-income poverty, albeit only slowly. Hence, 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 poverty as the labor market very gradually rebounds.

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. We also examined poverty rates across regions in the state, revealing deep poverty in some areas, including Milwaukee County as a whole, and especially in the central city of Milwaukee. The WPM could also be used to examine other demographic groups, such as racial and ethnic groups, especially minority children in Milwaukee and Dane counties, 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 better employment opportunities

⁷Annie E. Casey Foundation, *Race for Results: Building a Path to Opportunity for All Children*, Baltimore, MD, 2014, at <http://www.aecf.org/~media/Pubs/Initiatives/KIDS%20COUNT/R/RaceforResults/RaceforResults.pdf>.

and higher-quality jobs 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. As the labor market recovers we must continue to strengthen supports for work as well.

Our Wisconsin Poverty Project is one of the first comprehensive statewide implementations of the National Academy of Sciences-based alternative poverty measures 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.⁸

⁸For a more thorough academic discussion of the Wisconsin Poverty Project and its importance, see Y. Chung, J. Isaacs, and T. M. Smeeding, 2013, “Advancing Poverty Measurement and Policy: Evidence from Wisconsin during the Great Recession,” *Social Service Review* 87(3, September): 525–555.

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