Poverty

The Stanford Center on Poverty and Inequality

BY MARYBETH J. MATTINGLY AND CHARLES VARNER
WITH MAPS BY BARBARA COOK

KEY FINDINGS

- States have very different poverty rates. The highest poverty rate is found in Mississippi (24.3%), while the lowest poverty rate is found in New Hampshire (8.8%).
- The states with the highest poverty rates are in the South and West, while those with the lowest poverty rates are in New England, the Middle Atlantic, and the Upper Midwest.
- Although blacks and Hispanics face higher risks of poverty in most every state, there is also much state-level variability in the extent of this disadvantage.
- The recovery has not translated into a bona fide reduction in poverty (relative to the pre-recession baseline) in any state. In only six states have poverty rates returned to their pre-recession levels.
- Although states with rebounding economies have experienced, on average, larger declines in poverty, this economic effect accounts for only a minority of the state-level change in poverty (since the recession).

There is much that is known about poverty in the United States. It is well known that the United States has more poverty than most other equally well-off countries.[1] It is well known that poverty increased with the Great Recession and that, despite the recovery, there has not yet been any substantial reduction in poverty.[2] It is well known that, relative to whites, blacks and Hispanics continue to be especially hard hit by poverty.[3]

We know somewhat less, however, about the spatial and regional patterning of poverty and how that has changed, if at all, since the Great Recession. Have some states been able to avoid a recession-induced poverty disaster? Have poverty rates in some states recovered from the recession especially quickly? Is the racial and ethnic gap in poverty especially small in any states?

The purpose of this brief is to provide answers to questions of this sort. We might well expect substantial variability across states because poverty policy in the United States is quite decentralized, because the recession hit some regions especially hard (and the recovery has likewise been quite uneven), and because those groups that are especially at risk of poverty (e.g., blacks and Hispanics) are concentrated in some states more so than others. In this report, we examine the extent of such variability using several key state-level indicators, including (a) official poverty rates, (b) deep poverty rates, (c) racial and ethnic ratios in poverty rates, and (d) the Supplemental Poverty Measure (SPM).

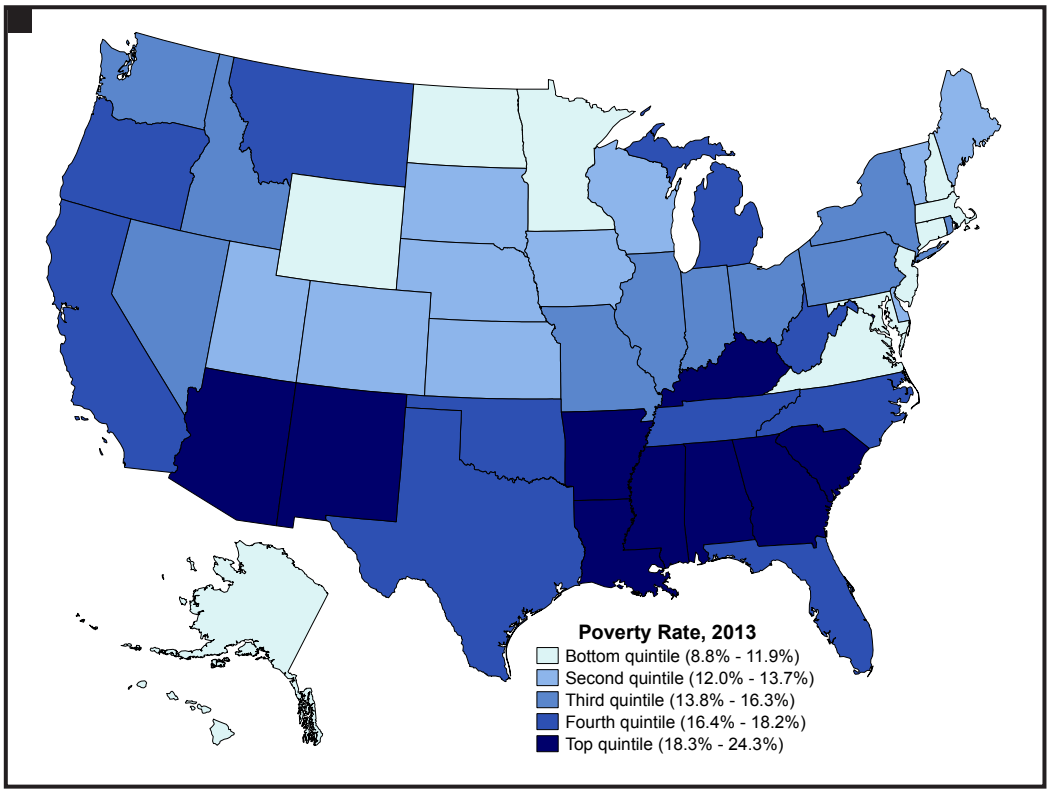
How Much Variability Is There?

The first question that we take on is a simple but important one: Is there much variability in poverty across states? In Figure 1, we report 2013 poverty rates from the American Community Survey, using the Census Bureau's official poverty measure (OPM). The map in Figure 1 divides the country into quintiles, with the lightest-blue states having the lowest poverty rates (approximately 9–12 percent), while the darkest-blue states have the highest poverty rates (i.e., exceeding 18 percent).[4] The highest poverty rate is found in Mississippi (24.3%), while the lowest poverty rate is found in New Hampshire (8.8%).

Although this result suggests a very substantial amount of variability, the skeptic might suggest that it's an artifact of our simple threshold-based measurement of poverty. It is of course possible that, within high-poverty states like Mississippi, many people happen to fall just below the threshold, thus inflating the poverty rate. There are various ways to address this concern, but we have proceeded here by calculating the deep poverty rate for each state, where families in "deep poverty" refer to those with income less than half the poverty threshold (which, for a family of four, would be less than $1,000/month).[5] Is there much variability in the amount of deep poverty too?

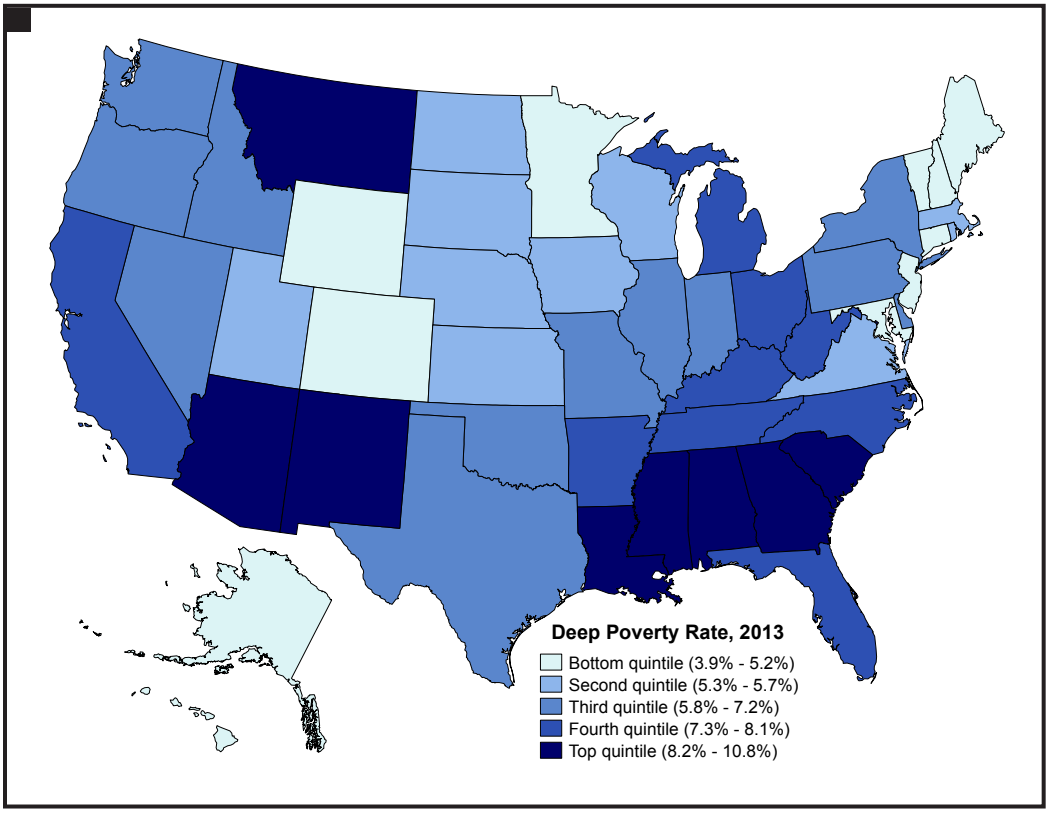
We show in Figure 2 that there is. Whereas the deep poverty rate for the country was 7.0 percent (in 2013), Figure 2 reveals that there is much variability around that average, with states such as Mississippi and New Mexico having the highest deep poverty rates

FIGURE 1. 2013 Poverty Rates (official)



Source: Ruggles et al., 2010, IPUMS 2013 ACS.

FIGURE 2. Deep Poverty Rates, 2013

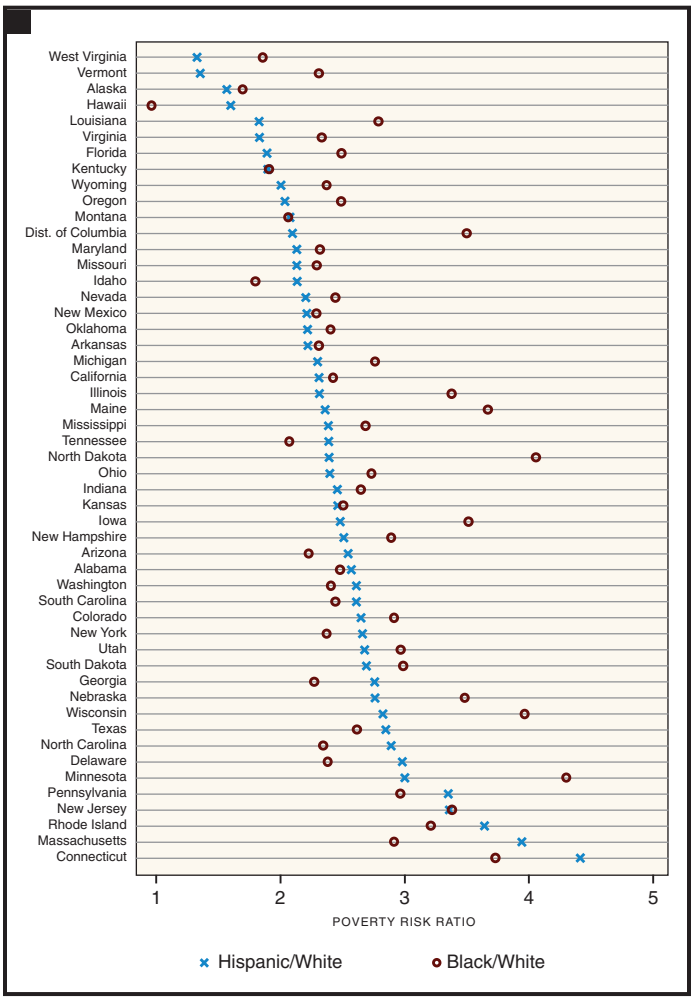


Source: Ruggles et al., 2010, IPUMS 2013 ACS.

(almost 11%), and New Hampshire having the lowest (less than 4%). There is a very strong correlation between official and deep poverty: When Figures 1 and 2 are compared, we find that states fall into the same quintile on each measure almost without exception. The highest-quintile states, where approximately 1 out of 10 individuals are in deep poverty, include Montana, Arizona, New Mexico, Louisiana, Mississippi, Alabama, Georgia, and South Carolina. The upshot is that there is substantial state-level variability in poverty for both of these two poverty measures.

The second question that we take on pertains to the patterning of this variability. Does it comport well with the stereotypical image of American poverty? It is hard to argue that it doesn't. By both measures, the states with the highest poverty rates are in the South and West, while those with the lowest poverty rates are in New England, the Middle Atlantic, and the Upper Midwest.

FIGURE 3. Poverty Relative Risk Ratios by Race-Ethnicity, 2009–2013



Source: U.S. Census Bureau, American Community Survey, 2009–2013 (5-Year Estimates)

Racial and Ethnic Variation in Poverty

We next ask about the extent to which poverty is racially and ethnically patterned. How much, in other words, do the racial and ethnic contours of poverty vary across the states? Are there any states in which blacks and Hispanics aren't especially at risk of poverty?

We address this question with 5 years of data from the American Community Survey (as doing so allows us to estimate reliable rates for small states). For each state, we calculate (a) the ratio of the black poverty rate to the white poverty rate, and (b) the ratio of the Hispanic poverty rate to the white poverty rate.

The results are shown in Figure 3. In no state do Hispanics have lower poverty rates than whites, and the black-white poverty ratio is close to 1 in just one state, Hawaii. If blacks and Hispanics are everywhere disadvantaged, there is also much variability in the extent of this disadvantage. The relative risk ratios range from 1.5 in West Virginia—with its characteristic white poverty in Appalachia—to above 4 in Connecticut (when comparing Hispanics with whites). The ratio is also very high in several states near New York City and Boston (e.g., Pennsylvania, New Jersey, Massachuestts, and Rhode Island), where prosperous white populations are mixed with poorer Hispanic and black populations living closer to the urban centers along the Northeast Corridor. This variation does not, therefore, correspond in any obvious way with the archetypal red-state/blue-state dichotomy. Indeed, with the exception of the quite uniformly high Northeastern rates, race and ethnic gaps do not appear to cluster much by region.

It is not the case, by the way, that there is equally extreme variability across *all* types of demographic groups. For example, we found that the age gradient in poverty takes much the same form in nearly all states, with poverty rates for seniors lowest, followed by rates for working-age adults, and then rates for children under 18 (see online appendix for details). Although overall poverty rates range widely across states, the age gaps in poverty are quite similar.[6]

The Recession's Continuing Toll on Poverty

The Great Recession has widely been understood to be a poverty disaster. To be sure, the safety net contained some of the harm, but nonetheless the harm was substantial and long-lasting. Where, it might be asked, do we now stand long after the recession ended?

We address this question by comparing poverty rates between 2007 and 2013 and then dividing states into four categories, ranging from no change (light blue) to an increase of 3 per-

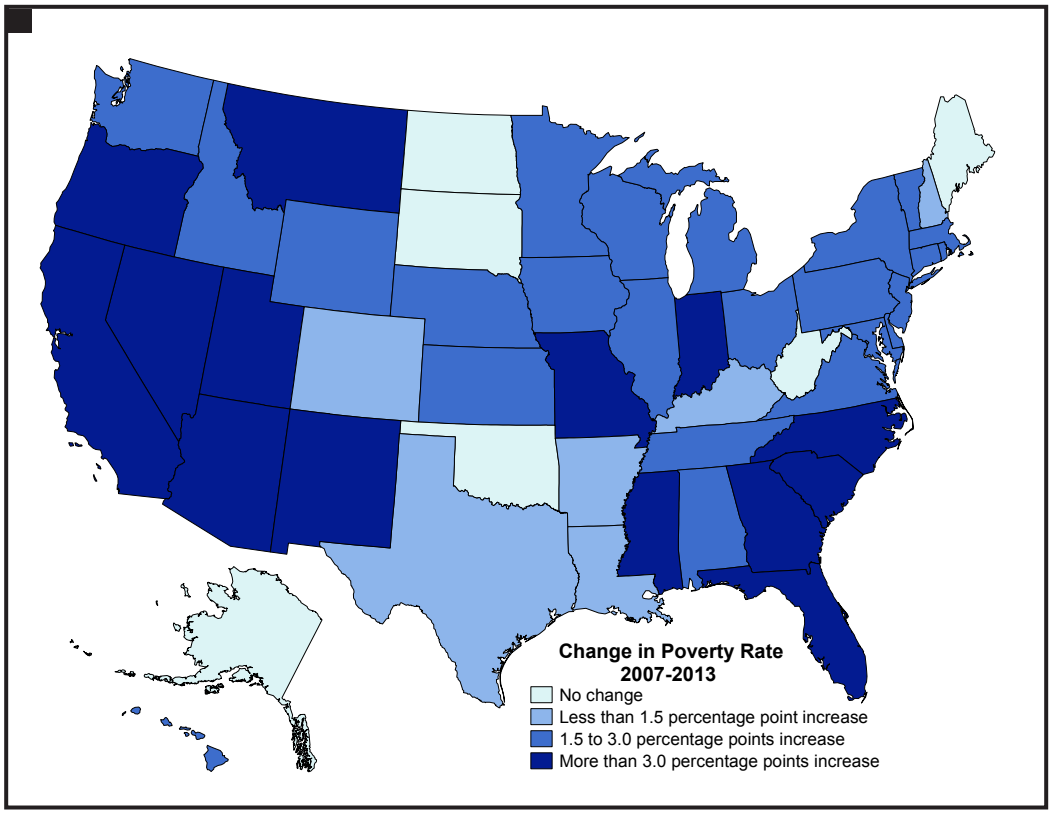
centage points or more (dark blue). Notably, only six states had fully returned to their 2007 poverty levels by 2013, and just six other states were within 1.5 percentage points of the 2007 level. These 12 states benefited in many cases from rising energy prices and increased energy production over this period (e.g., Texas).

On the other hand, California, Georgia, Arizona, Nevada, New Mexico and Florida had the largest poverty increases, with the 2013 poverty rates in these states more than 4 percentage points higher than in 2007. The poverty rise in just two of these states, California and Florida, translates into 3 million more poor people than there were in 2007. There was, worse yet, a concomitant increase in the depth of poverty: In 36 states, the gap between a poor family's total income and the poverty threshold increased between 2007 and 2013, yet another indication of a growing economic vulnerability among the poor population.[7] And, finally, the number of states with very high poverty (above 18 percent) grew from 3 to 12 between 2007 and 2013.[8]

There are two possible reasons why poverty has persisted well after the recession ended. The first possibility is that, while economic growth does tend to deliver a substantial reduction in poverty, the growth occurring during the recovery has been very uneven, with many states failing to experience much growth (and hence much of a reduction in poverty). The second possibility is that, even for states that have been experiencing growth, it is not reliably returning them to their pre-recession poverty level.

We cannot pretend to adjudicate in any decisive way between these two accounts, but Figure 5 does at least cast some light on it. This figure, which plots the 2007–2013 change in per capita Gross State Product (GSP) against the 2007–2013 change in poverty, suggests that both accounts are only partly on the mark. It is clear, first off, that the recovery has indeed been uneven, with only 29 jurisdictions experiencing a full recovery in per capita GSP by 2013, while the remaining 22 jurisdictions had not. For some states, such as Nevada, the contraction in per capita GSP over this period remains well over 10 percent. At the same time, the relationship between per capita GSP and poverty is far from determinative, with approximately two-thirds of the change in poverty left unexplained by per capita GSP.[9] In Oregon, for example, the economic recovery was second only to North Dakota's, but its poverty rate remained over 3 percentage points higher than in 2007.

FIGURE 4. Change in Poverty Rates, 2007-2013

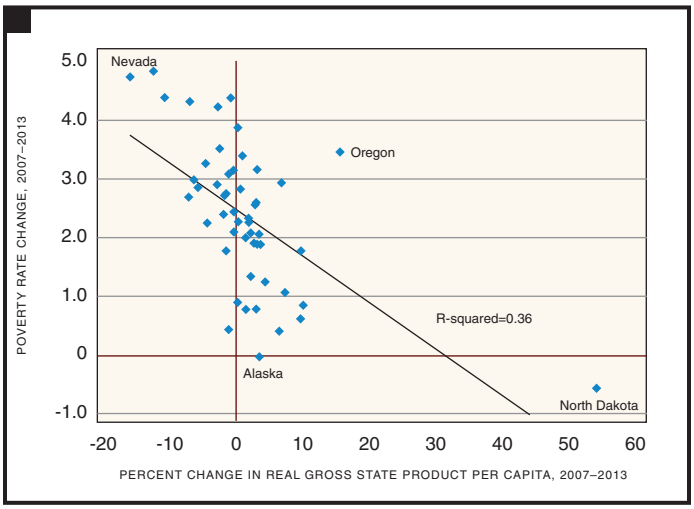


Source: Ruggles et al., 2010, IPUMS 2007 and 2013 ACS.

Supplemental Poverty Measurement

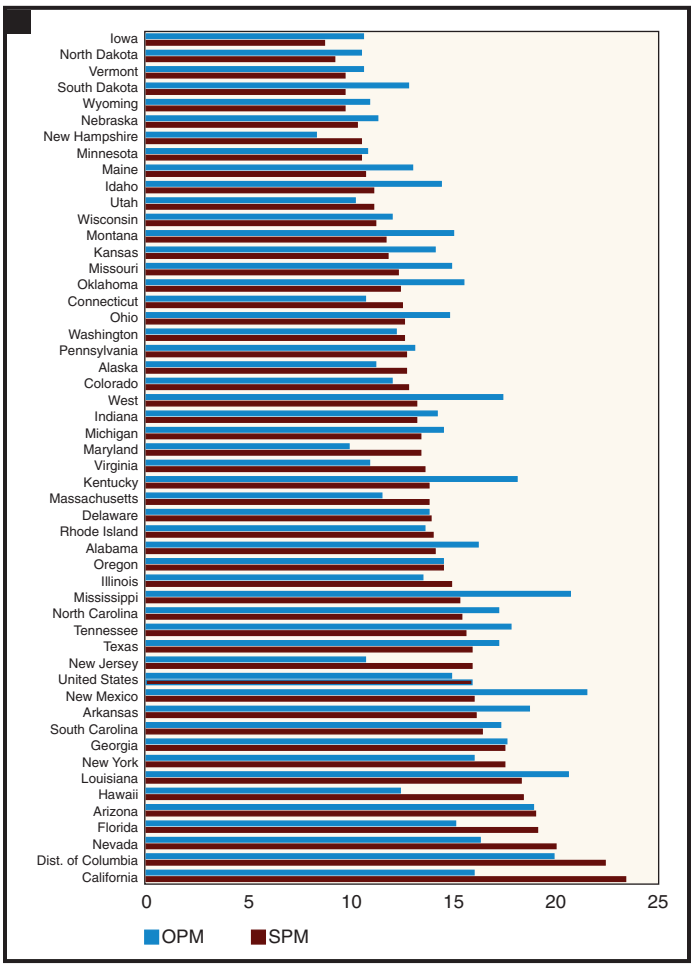
We close with a brief discussion of the poverty profile under an alternative approach to measuring poverty. Although the official poverty measure (OPM) provides a consistent historical benchmark that is useful for studying trends, it also suffers from a host of well known problems that the Supplemental Poverty Measure (SPM) addresses. The advantages of the SPM are many: It is anchored each year to actual reported consumption on food, clothing, shelter and utilities; it takes into account noncash programs (e.g., Supplemental Nutrition Assistance Program, Earned Income Tax Credit) as well as out-of-pocket expenses on medical, child care, and work

FIGURE 5. Despite economic growth, poverty has not returned to pre-recession levels.



Sources: Ruggles et al., 2010, IPUMS 2007 and 2013 ACS; Bureau of Economic Analysis.

FIGURE 6. SPM and OPM, by State



Source: CPS 2011-2013 estimates provided in Table 4 of DeNavas-Walt, Carmen and Bernadette D. Proctor, U.S. Census Bureau, Current Population Reports, P60-249, *Income and Poverty in the United States: 2013*, U.S. Government Printing Office, Washington, DC, 2014.

related needs; it recognizes that resources are sometimes shared by cohabiting partners (and with foster children); and it adjusts for geographic differences in the cost of housing. Because of these advantages, the Bureau of the Census now regularly reports the SPM.

There are nonetheless practical problems in carrying out an SPM analysis at the state level. Most importantly, an SPM analysis must be based on the Current Population Survey, which is much smaller than the American Community Survey. For reliable state-level estimates, at least 3 years of data must be combined. Additionally, because SPM measures are only available on a research basis starting in 2009, they cannot be used to establish a pre-recession baseline. In the following discussion, we therefore report state SPM estimates by pooling data from 2011-13, comparing them to an OPM measure based on the same three years of the CPS.[10]

When we consider the nation as a whole, there is a one percentage point difference between the OPM rate for 2011–2013 (14.9 percent) and the corresponding SPM rate (15.9 percent). Figure 6 shows that the two rates provide a rather different portrait of poverty. In thirty states, the SPM rate is lower than the OPM rate, with many of these states very rural (e.g., New Mexico, Mississippi, West Virginia, Idaho, Montana, South Dakota, and Oklahoma). This partly reflects the low housing costs in these states (which, unlike the OPM, the SPM takes into account). Obversely, states with relatively high housing costs, like California and New Jersey, have among the largest increases in poverty under the SPM as compared to the OPM.

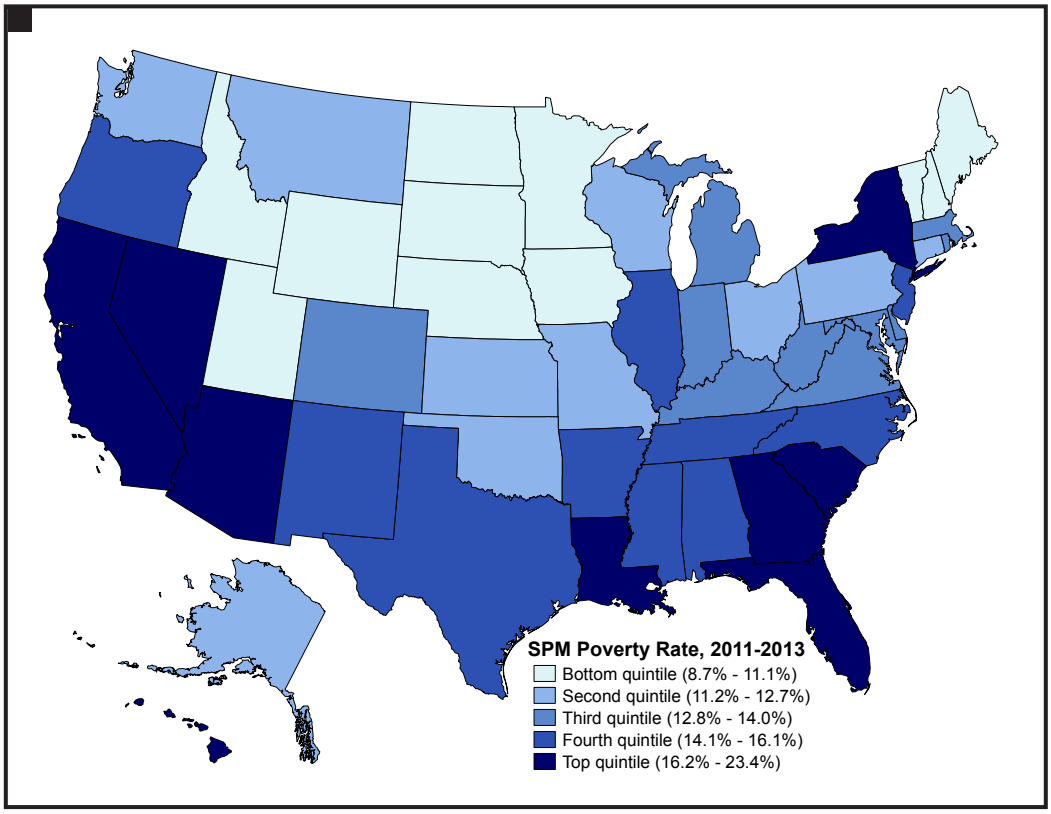
Although the SPM and OPM portraits of poverty thus differ, each type of poverty is arguably of interest, with the SPM treating housing and other costs (e.g., out-of-pocket medical costs) as given and then asking whether families, after taking those costs into account, are likely to be "strapped," while the OPM is a straightforward cash-based measure that has the virtue of simplicity. As with the OPM, there is substantial state-by-state variation in the SPM rates, as shown in Figure 7.

Discussion

We have found that the U.S. states are delivering very different amounts of poverty and are doing so according to very different rules. In states like New Hampshire, poverty is a relatively rare affair, with only one in 11 residents experiencing it. By contrast, nearly one in four residents of Mississippi are in OPM poverty, a rate nearly three times that of New Hampshire. Moreover, even though blacks and Hispanics are at a greater risk of poverty in most every state, there is much variability in the extent of this disadvantage.

We have also shown that a simple economic account of state-level trends in poverty falls short. Although states that have experienced larger economic rebounds have also experienced, on average, larger reductions in poverty, this simple economic story explains only a minority of the change in poverty rates. Given that the top of the income distribution is reaping most of the benefits of growth, it is perhaps not surprising that the contemporary growth-poverty relationship is not all that strong. ■

FIGURE 7. SPM Rates by State



Source: CPS 2011-2013 estimates provided in Table 4 of DeNavas-Walt, Carmen and Bernadette D. Proctor, U.S. Census Bureau, Current Population Reports, P60-249, *Income and Poverty in the United States: 2013*, U.S. Government Printing Office, Washington, DC, 2014.

NOTES

1. Gornick, Janet C., and Markus Jäntti. 2012. "Child poverty in cross-national perspective: Lessons from the Luxembourg Income Study." *Children and Youth Services Review* 34, pp. 558-568.

2. DeNavas-Walt, Carmen and Bernadette D. Proctor, 2014. U.S. Census Bureau, Current Population Reports, P60-249, *Income and Poverty in the United States: 2013*, U.S. Government Printing Office, Washington, D.C.

3. DeNavas-Walt, Carmen and Bernadette D. Proctor, 2014.

4. Throughout this report, we include Washington, D.C., bringing the total sample to 51. As a result, at least one of the quintiles—typically the bottom one—always includes 11 jurisdictions. Also, we do not require each quintile to have exactly 10 jurisdictions when jurisdictions near a quintile cut point have very similar (or the same) poverty rates. For example, Arkansas had the 10th-highest deep poverty rate (8.06%), but its rate is much closer to 11th-highest West Virginia (8.05%) than to 9th-highest Montana (8.41%). Thus, we group Arkansas in the fourth quintile, and as a result, the top quintile for deep poverty has only 9 jurisdictions.

5. See Shaefer, H. Luke, and Kathryn Edin, 2014. "The Rise of Extreme Poverty in the United States." *Pathways Magazine* (Summer 2014). Available at: http://web.stanford.edu/group/scspi/_media/pdf/pathways/summer_2014/Pathways_Summer_2014_ShaeferEdin.pdf

6. North Dakota is an exception. See the online appendix for details.

7. Data available from the authors upon request.

8. Alabama, Arizona, Arkansas, Georgia, Kentucky, South Carolina, Tennessee, West Virginia, and Washington, DC.

9. When the model is reestimated after eliminating North Dakota, the R^2 is 0.34.

10. We rely on state level estimates provided in Table 4 of DeNavas-Walt, Carmen and Bernadette D. Proctor, U.S. Census Bureau, Current Population Reports, P60-249, *Income and Poverty in the United States: 2013*, U.S. Government Printing Office, Washington, DC,2014.