Who are nation's poor? Census pores over stats

6/26/89

By Chester E. Smolski

A wise old Englishman once said, "The governments are keen on gathering statistics; they collect them, add them and raise them to the nth power, but you must never forget that in the first instance they are given by the village watchman who just puts down what he damn well pleases."

In a detailed summary of income by the US Census Bureau for 1987, the government of this rich nation has determined that 13.5 percent of the population was under the official poverty level. More than one-half of these 32.5 million persons were either children or elderly.

The poverty rate for children continues to be the highest of any age group, at 20.6 percent of those under 18 years of age. The elderly, persons 65 or older, are next highest at 12.2 percent. On the other hand, the poverty rate for those between 18 and 64 was 10.8 percent.

In 1960, the poverty rate in the nation stood at its all-time high of 22.2 percent, or 39.8 million people. That figure dropped continuously to a low of 11.1 percent in 1973, or 22.9 million, then rose gradually to 15.2 percent in 1983 and declined to its 1987 level of 13.5 percent.

Rates vary

Poverty rates vary by area, with metropolitan areas checking in at 12.5 percent and non-metropolitan areas recording a 16.9 percent poverty rate. Inner cities within metropolitan areas continued to have the highest rates of poverty, at 18.6 percent. Suburbs had a poverty rate of 8.5 percent. The Census Bureau report further details the poverty picture by race, work experience, education and family.

The poverty index was originated by the Social Security Administration in 1964 and was subsequently revised in 1969 and 1980. It's important to note that the index is based on cash income only and does not take into account such non-cash benefits as food stamps, public housing and Medicaid.

The index is based on the Department of Agriculture's 1961 Economy Food Plan, which reflects different consumption requirements for families of different sizes and composition and suggests that families of three or more spend approximately one-third of their income on food.

The poverty level was thus set at three times the cost of the Economy Food Plan, with adjustments made for families of different sizes. Poverty indexes are updated each year to reflect changing costs, as reflected in the Consumer Price Index.

In 1987, the poverty threshold for a family of four was $11,611, 3.6 percent higher than in 1986. The 1987 figure for three persons was $9056; for two persons $7397; and for one person, $5778.

The Census Bureau has long recognized that such items as taxes, capital gains and government transfers have a major impact on determining income levels, so it has to design better measures to arrive at a more accurate poverty level.

Using a new incremental method—cash income including government transfers, then adding in capital gains and health-insurance supplements—the study arrives at 12 different measures to measure relative income. Depending on the measure used, the median income in 1986 was somewhere between $20,180 and $24,984.

The results of using these different measures can be quite dramatic, as illustrated by examining the elderly population. Government transfers, such as social security, have a greater impact on income distribution than taxes. The national poverty rate for 1986 was 13.6 percent and for the elderly it was 12.4 percent, but without social security 47.5 percent of the elderly would fall below the poverty level. Fourteen percent would fall under the poverty level if just social security were added. Only 5.7 percent of the elderly would be officially considered poor if all home equity and all government transfers were added.

No easy task

Determining the poverty level is no easy task and trying to find the best method to satisfy all parties involved places a considerable burden on our census professionals—especially since many government programs are based on figures that some consider questionable.

But the burden of designing government policy to bring about a more equitable distribution of dollars is an even more formidable one.

This is evidenced by the increasing disparity of income between the richest and poorest members of our society. In 1973, the richest fifth of American families had 41.1 percent of all national income, and by 1987 this figure had increased to 43.7 percent.

The poor are getting poorer, too. The poorest fifth of the national had 5.5 percent of all national income in 1973. In 1987, they had 4.6 percent of all national income.

Poverty, as measured by any of a variety of statistical techniques, is too common, too obvious and too difficult to comprehend in a wealthy country such as ours. As currently measured by the census, there is little doubt that it is too evident, and the proverbial village watchman would be hard-pressed to deny that it represents a black mark on our society.

Chester E. Smolski is the director of urban studies at Rhode Island College.