

What is the Evidence of Worsening Conditions among America's Poorest Families with Children?

November 10, 2015

H. Luke Shaefer
Kathryn J. Edin

Introduction

No data source is perfect for measuring the conditions faced by the nation's poorest families. Following Edin's initial qualitative insights from her qualitative research in Baltimore in 2010, we began to test a hypothesis that there had been a deterioration in the circumstances of America's poorest families with the most reliable, nationally representative household survey data available, the Survey of Income and Program Participation (SIPP). We then checked our findings from the SIPP against numerous other sources of data, including SNAP administrative records, school reports of homeless children, and data on utilization of charitable emergency food programs. Finally, for a number of years we conducted in-depth ethnographic research in four sites across the country, seeking out families whom we believe would register as \$2-a-day poor if they were survey respondents in the SIPP. All these sources of data paint a strikingly consistent picture of worsening conditions faced by the nation's poorest families.

SIPP Findings are Consistent with Trends in Other Sources of Data

Based on our original SIPP estimates (note we discussed our improved estimates later in this paper), we estimated that the number of families with children reporting cash income of \$2 per person per day or less in any given month grew by 130% between 1996 and 2011, to 1.5 million households containing 3 million children. AFDC/TANF was lifting more than a million households above the \$2-a-day line in 1996. If we eliminate this historic assistance from our calculations of the number of extreme poor, there would be no increase in the number of extreme poor during this time period.¹ We believe this is strong suggestive evidence that a decline in the reach of cash assistance was a major contributing factor to the growth in the extreme poor seen in the SIPP. Yet any single data source has limitations. As we note in *\$2.00 a Day*, the SIPP is far from perfect. So it was important to us to externally validate the SIPP estimates, that is, find out if other sources of data (with different strengths and weaknesses) would lead to a similar conclusion.²

The Number of SNAP Households with Zero Income has Quadrupled since 1996

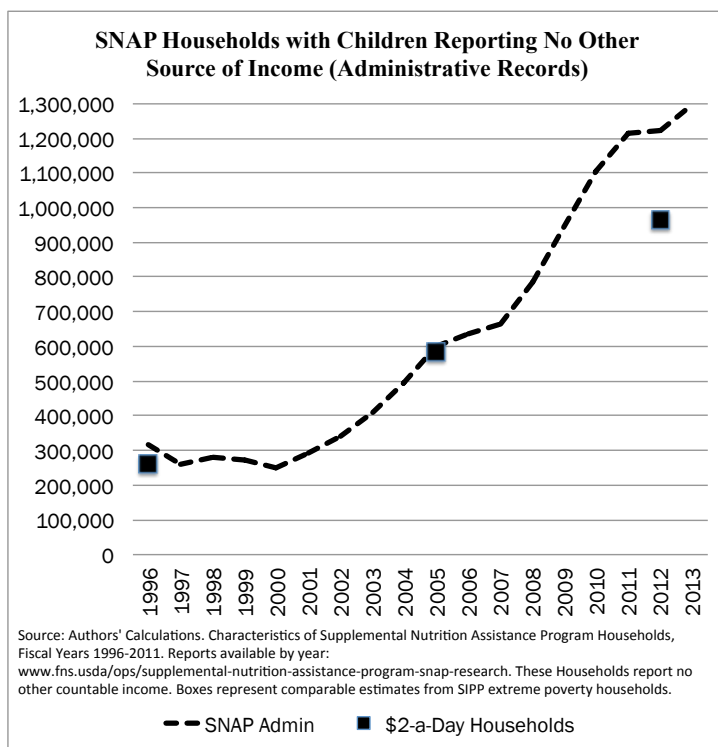
We first turned to reports from SNAP administrative records. Households receiving SNAP must verify their incomes for eligibility purposes every three to twelve months, depending on their state and status. Families can face stiff legal penalties if they knowingly misrepresent their

¹ See Shaefer and Edin (2013). Rising Extreme Poverty in the United States and the Response of Federal Means-Tested Income Transfer Program. *Social Service Review*, 87(2), 250-268.

² In *\$2.00 a Day*, we write about these efforts and findings on pages xviii, 30-31, 126-127.

income to increase their SNAP benefit levels. SNAP administrative data provide a count of the total number of SNAP assistance units with children in the U.S. receiving SNAP who report no other source of cash income. In 1996 there were 316,000 SNAP households with children who reported no other source of income (see Figure 1). That number began to rise in 2002 and by 2005 had increased to 599,000. By 2013—well into the economic recovery and in a year with a lower unemployment rate than in 2011—there were 1.3 million such households—nearly the total of all households in \$2-a-day poverty that we estimate in *\$2.00 a Day*, without counting households with some income but below our threshold or household not on SNAP. Note that this represents a 311% increase, much larger proportionately than what we offer in our SIPP analysis of extreme poverty.

When we restrict our most recent SIPP estimates³ only to those who report receiving SNAP and plot them against SNAP administrative records, the SIPP estimates prove to be remarkably close to the corresponding household counts from the SNAP administrative records in years 1996 and 2005. Our SIPP estimates fall behind SNAP administrative data estimates as of 2012, suggesting our SIPP estimates in recent years may underestimate the number of households in \$2 a day poverty, perhaps because of the rise in family homelessness, which we’ll discuss next.⁴



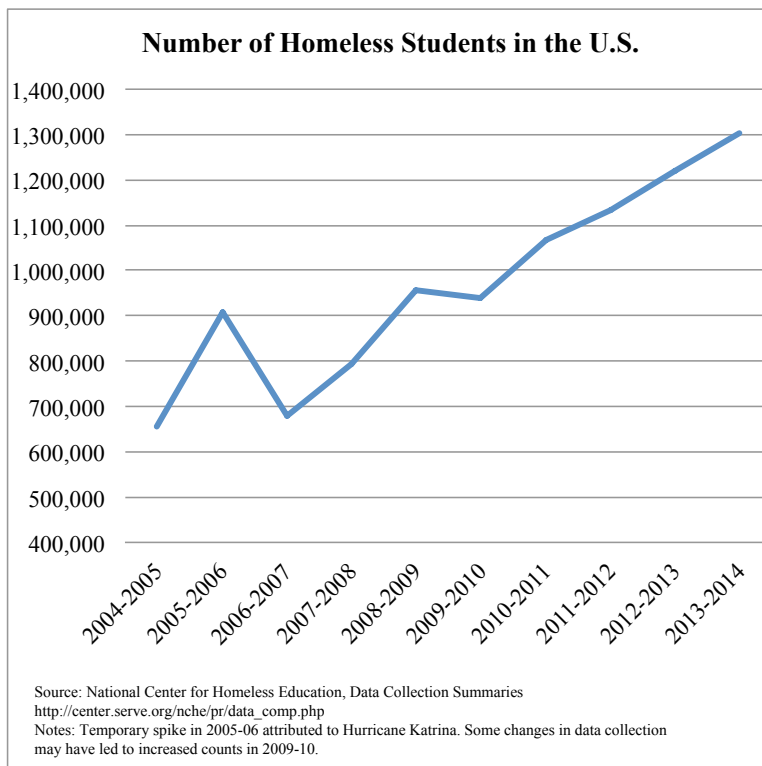
³ Shaefer, Edin and Talbert (2015). Understanding the Dynamics of \$2-a-Day Poverty in the United States. The Russell Sage Foundation Journal of the Social Sciences, <http://www.rsfjournal.org/doi/full/10.7758/RSF.2015.1.1.07>

⁴ For more on zero-income SNAP households, see <http://www.fns.usda.gov/sites/default/files/ops/ZeroIncome-Vol2-Summary.pdf>. Findings are very consistent with what we offer in *\$2.00 a Day*. Also <http://www.fns.usda.gov/characteristics-and-circumstances-zero-income-supplemental-nutrition-assistance-program-households> which is the companion article using the SIPP. Note that the dynamic analysis in this paper draws on the 2004 SIPP, well before the unemployment rate began to rise in recent years. See also http://www.acf.hhs.gov/sites/default/files/opre/dynamicsofdisconnection_execsummary.pdf for a recent qualitative study of “disconnected” mothers.

More Homeless Children

One form of hardship that was evident among the ethnographic sample that serves as the basis for *\$2.00 a Day* is high rates of residential instability. Data are scarce from before the early 2000s, but we do have evidence of a sharp and sustained rise in the need for family homelessness services in New York City. Starting in 2001, New York City officials reported a marked uptick in demand of these services, which they claim is comparable to that of other cities.⁵

More comprehensive data become available starting in 2004. Starting in that year, public schools were mandated to report the number of homeless children in their classrooms (the number of children whose parents or guardians could not afford permanent housing but who were still attending school regularly). In 2004-05, there were 656,000 such children. This figure spiked temporarily in 2005-2006 because of Hurricanes Katrina and Wilma, but then began to increase over time, reaching 795,000 in 2007-08, and 1.3 million in 2013-14. As of the latest count available—and many years into the economic recovery—the number of homeless school students is double what it was in the mid-2000s.



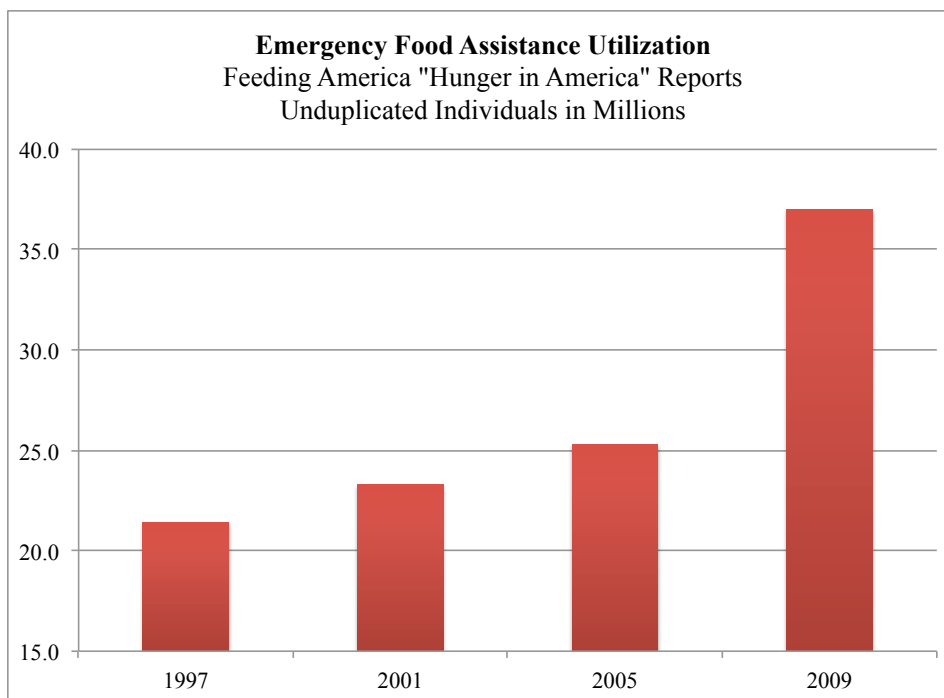
The increase in number of children experiencing homelessness is closely related to the rise in the \$2-a-day poverty. In a recent background paper appended to the Federal Strategic Plan to Prevent and End Homelessness, analysts write that the “three most important differences

⁵ Nancy Smith, Zaire Dinzey Flores, Jeffrey Lin, & John Markovic (2005). Understanding Family Homelessness in New York City. *Vera Instituted of Justice*. Retrieved November 26, 2015 from http://www.nyc.gov/html/dhs/downloads/pdf/vera_Study.pdf

between homeless families and other poor families concern not their personal characteristics, but the resources they need to secure housing. First, homeless families have extremely low incomes... Second, homeless families are less likely than low-income families who remain housed to have access to housing subsidies... Third, the social networks of homeless families are not able to provide sufficient help.”⁶ Further, the U.S. Conference of Mayors cites unemployment as the number one driver of family homelessness.⁷

More Demand for Charitable Food Assistance Starting Well Before the Great Recession

Feeding America, an anti-hunger organization and national network of food banks conducts the nation’s largest study of charitable food distribution in the United States every few years. In 1997, they found that pantries and other emergency food programs nationwide served roughly 21.4 million Americans. By 2005, that number was higher by 3.9 million, and it spiked to 37 million in 2009. The most recent Feeding America Survey reports an even larger number of Americans seeking emergency food assistance—46.5 million—but the organization warns that some changes in methodology mean that the most recent report is not directly comparable to previous ones.



A Lot More Plasma “Donations”

⁶ United States Interagency Council on Homelessness (2010). Homelessness among Families with Children. Retrieved November 26, 2015 from http://usich.gov/resources/uploads/asset_library/BkgrdPap_FamiliesWithChildren.pdf

⁷ National Low Income Housing Coalition (2012). Cities Report Unemployment as Primary Driver of Family Homelessness. Retrieved November 26, 2015 from <http://nlihc.org/article/cities-report-unemployment-primary-driver-family-homelessness>.

In *\$2.00 a Day*, we find that a commonplace survival strategy for dealing with extreme poverty is selling blood plasma. We sought evidence as to whether there had been an increase in such activity. As of 2005, there were about 10.4 million plasma donations in the U.S. That number increased to 12.5 million just a year later, and then jumped to 18.8 million in 2008 and 23 million in 2011.⁸ Selling plasma isn't just slightly more common than it was in the mid-2000s. It's a lot more common, and was on the rise before the Great Recession hit.

Finally, other qualitative inquiries reported findings that are consistent with those documented in *\$2.00 a Day*. For example, in an article published by the *New York Times* in 2012, Jason DeParle discusses what happened to poor families not served by Arizona's TANF program, which had cut its rolls since the start of the recession, even as it "spent most of its federal welfare dollars on other programs, using permissive rules to plug state budget gaps." DeParle wrote that single mothers left behind by TANF spoke

"with surprising openness about the desperate, and sometimes illegal, ways they make ends meet. They have sold food stamps, sold blood, skipped meals, shoplifted, doubled up with friends, scavenged trash bins for bottles and cans and returned to relationships with violent partners—all with children in tow."

Examining the Strengths and Weaknesses of the SIPP

We used the SIPP as the starting point of our quantitative analysis of this study. The SIPP is the strongest, nationally-representative data source available for an examination such as this. Of course, like any data source, the SIPP has limitations. First among them is the misreporting (often referred to as "underreporting") of income and program participation among households. As we noted in *\$2.00 a Day*,⁹ some households may forget that they received public benefits, be too embarrassed to admit to public program participation, be confused by survey researchers' questions, or may perceive reasons to omit certain information when talking to a government representative.

Misreporting of income is a serious problem in all major household surveys, but the SIPP does comparatively well relative to its peer surveys (Meyer, Mok, & Sullivan 2009). Analyses find that the SIPP records the highest level of aggregate income among families in the lowest income quintile, far more than the CPS or American Community Survey. Czajka and Denmead (2008) estimate aggregate household income in the United States across a number of major household surveys. The SIPP generates an estimate of \$391 billion in income among families in the lowest income quintile, while the Current Population Survey (CPS) estimate is \$371 billion and the American Community Survey estimate is \$369 billion. That's \$20 billion more among the lowest income quintile in the SIPP compared to the CPS and ACS. Further, administrative earnings data (e.g., from unemployment insurance records or IRS tax records) are insufficient for capturing informal income among the poor. The SIPP attempts to systematically collect such income.

⁸ Andrew Pollack (2009, December 5). Is Money Tainting the Plasma Supply?. *New York Times*. Retrieved November 26, 2015 from http://www.nytimes.com/2009/12/06/business/06plasma.html?_r=0.

Peter Rugg (2015, November 3). The 10% Bleed: How Plasma Donors Got Stuck With Prepaid Card Fees and Why It Matters. *Inverse*. Retrieved November 26, 2015 from www.inverse.com/article/7618-the-10-bleed-how-plasma-donors-got-stuck-with-prepaid-card-fees-and-why-it-matters

⁹ See Shaefer & Edin, xvi and 125-128

Thus, the SIPP is the source of nationally representative data that records the largest amount of income among the poor, making it the most appropriate choice for the current study.

In terms of capturing whether families participate in government programs, the SIPP also performs considerably better, on average, than the CPS and other major household surveys, although it is certainly not perfect. Bruce Meyer and colleagues (2009) compare reports of public program participation in a number of major household surveys to administrative caseload totals. The SIPP's reporting rate for SNAP was 84.2 percent in 1996, and it remained relatively stable through 2005, the final year Meyer and colleagues report on. In contrast, the CPS's reporting rate for SNAP was 66.3 percent in 1996 and fell to 56.5 percent in 2005.

According to Meyer et al., for AFDC and TANF, the SIPP reporting rate started at 79.5 percent in 1996, fell to 65.5 percent in 2002, but increased to 80.9 percent by 2005—higher than it was in 1996. For CPS, the AFDC and TANF reporting rate started at 67.0 percent in 1996, fell below 60 percent in a number of years, and ended at 63.0 percent in 2005, and even down to 52.7 in 2007.

It is important to note that the SIPP reporting rates do not consistently worsen across the study period, at least up to 2005. Thus, falling reporting rates over time cannot explain an increase in the prevalence of extreme poverty. Further, evidence from available studies find that misreporting of program participation is greatest among those low-income families who are relatively advantaged in that they have existing sources of income. These individuals often use public programs for a brief period of time (Meyer & Goerge 2011).

Another concern we examined is whether our results are being driven by rising rates of imputed values for income and program participation variables in the SIPP over time. Imputation rates are consistently low in the early waves of each panel, rise throughout waves within panels, and are typically at their highest level in the final waves of a panel. Thus, if rising rates of imputation were driving the substantive findings presented here, this should generate significant declines in extreme poverty between the final wave of one panel (with high rates of imputation) and the first few waves of the next (with low imputation). Yet in most cases, the estimate for extreme poverty increases in the first few waves of a new panel (when imputation is low) relative to the last wave of the previous one (when imputation is high). Thus, it seems unlikely that rising rates of imputation are driving the rise in extreme poverty over the study period. Finally, the fact that the biggest increases in \$2-a-day poverty were among the groups most likely affected by welfare reform—single mother households and households of color—is strong evidence that the change over time is being driven by substantive changes in the circumstances of poor Americans rather than increases in measurement error, no matter what the overall level is.

New SIPP Analysis Shows Long Spells of \$2-a-day Poverty Have Risen Sharply

In a new paper, we seek to improve on our measurement of \$2-a-day poverty in the SIPP.¹⁰ We examine only households with annual incomes below 150% of poverty and with low net worth. Looking over the course of a calendar year, we consider only children who experience extreme

¹⁰ Shaefer, Edin and Talbert (2015). Understanding the Dynamics of \$2-a-Day Poverty in the United States. The Russell Sage Foundation Journal of the Social Sciences, <http://www.rsfsjournal.org/doi/full/10.7758/RSF.2015.1.1.07>

poverty for at least three months during a calendar year, and differentiate between “episodic” \$2-a-day poverty lasting 3 to 6 months during a year and “chronic” \$2-a-day poverty with 7 or more months over the course of the year. We find that 3.22 million children experience a spell of at least 3 months below the \$2-a-day threshold over the course of the calendar year—1.33 million children were below the threshold for 7 or more months. We find that the largest increase from 1996 in \$2-a-day poverty was among chronic \$2-a-day poverty (7+ months), particularly among those who are on SNAP. We also find a higher rate of SNAP take-up among this group than in our first estimates, suggesting SNAP may have broader reach among this group.

We find that loss of employment is a key predictor of a spell of \$2-a-day poverty. We also find that children who experience \$2-a-day poverty are more likely to be residentially unstable, more likely to be food insecure, and are more likely to be in a household where someone did not access medical care because of cost than other low-income children.¹¹ These conclusions that are all consistent with our qualitative research.

Misreporting in the CPS Actually Masked an Increase in Deep Poverty in the First Decade Following Welfare Reform

Misreporting not only changes our understanding of the extent of poverty, it can also change our understanding of trends over time. Sherman and Trisi find that misreporting masked an increase in deep poverty among children during the first decade following welfare reform.

They report:¹²

Some data sources do not show a rise in deep poverty for children, but this appears to be the result of a serious technical flaw: the omission from these data of a large share of the income from key public benefit programs. Correcting for this flaw reduces the deep poverty rate in any given year but reveals the increase in deep poverty over the decade that occurred as income from these programs — particularly public assistance — shrank due to policymakers’ actions.

For example, a groundbreaking and generally thorough analysis of poverty and deep poverty back to 1967 by Columbia University’s Christopher Wimer and his colleagues shows little change in the children’s deep poverty rate since 1996. But the study uses the Census Bureau’s Current Population Survey (CPS), which tends to miss public assistance income to a greater degree than does the separate Census survey (called the Survey of Income and Program Participation or SIPP) used by the Oxford and \$2-per-day studies. Such underreporting is common in household surveys and can affect estimates of poverty and, in particular, deep poverty.

The CPS missed more than one-third of public assistance and food stamp benefits in 1995, or nearly \$15 billion worth in 2004 dollars, according to data compiled by University of Chicago economist Bruce Meyer and his colleagues.[6] SIPP missed a smaller amount: \$8 billion in 1995. Over the decade, moreover, the total amount of missing income from public assistance (AFDC, later TANF) and food stamps *declined*, by \$1.7 billion between 1995 and 2004 in the CPS and by \$0.9 billion in SIPP. This made it look like benefits were shrinking less than they really were. (2004 is the last year for which Meyer and colleagues provide the data needed for this comparison.)[7]

¹¹ Shafer, Edin and Talbert (2015). Understanding the Dynamics of \$2-a-Day Poverty in the United States. The Russell Sage Foundation Journal of the Social Sciences, <http://www.rsfsjournal.org/doi/full/10.7758/RSF.2015.1.1.07>

¹² see <http://www.cbpp.org/research/deep-poverty-among-children-worsened-in-welfare-laws-first-decade>

Is this decline in missed income large enough to obscure a rise in deep poverty rates in the CPS? The answer is yes. In a forthcoming analysis, my colleague Danilo Trisi and I look at trends in children's deep poverty in the CPS before and after correcting for underreporting of three major benefits: TANF, SNAP, and Supplemental Security Income (SSI). Our corrections come from the Transfer Income Model (TRIM) microsimulation series, which the Urban Institute developed and has maintained over a period of decades for the Department of Health and Human Services.

Before correcting, our trend is roughly flat, similar to the trend line shown by Wimer *et al.* (in their Figure 9). But when we correct for the underreporting of TANF, SSI, and SNAP benefits, we see less deep poverty in any given year but a clear increase over time, from 2.1 percent in 1995 to 3.0 percent in 2005. (See Figure 1.) Although the story continued to evolve after 2005 — most notably, with the Great Recession and public responses to it — 2005 is an appropriate end point because labor-market conditions in that year (as measured by the unemployment rate) were comparable to those in 1995.

So what's going on here? The key point is that in 1995, public assistance (then AFDC) mattered a lot — it kept 2.4 million children above 50 percent of the poverty line in the corrected CPS data. By 2005, TANF was a much smaller program, keeping only about 600,000 children out of deep poverty (using the corrected data).

In short, correcting the CPS trend for missing welfare payments reveals the extent to which the old AFDC program lessened deep poverty in 1995, as well as the subsequent increase in deep poverty when the program shrank.

It is also worth noting that underreporting of income itself suggests adverse outcomes, such as engagement in the underground economy. For example, in Edin and Lein's study *Making Ends Meet* (1997), which was conducted in four cities just prior to welfare reform, many welfare recipients were forced to work off the books to survive. Eight percent reported work that was illegal in and of itself (not just because it went unreported to welfare caseworkers and the IRS) with the most common such work involving selling sex. *\$2.00 a Day*, in some ways, offers a description of some of the survival strategies that have grown in use, which may lead to underreporting.

Household Surveys Likely Miss Some of the Most Vulnerable Families

The SIPP and other nationally-representative surveys are household surveys, which means they begin with a sample of physical household units. These household units only include individuals who usually live in the household unit, and thus since many of the extreme poor are transient, they may not be included in the household unit. This means that the survey may miss some fraction of families experiencing very low levels of income. For example, of the 1.3 million homeless school children, we are unsure how many are captured in the SIPP sample, even if they are doubled up, since these double ups are, by definition, short-term arrangements.

According to SIPP officials, families in homeless shelters would not be interviewed in the SIPP. According to HUD's 2013 Annual Homeless Assessment Report, 495,714 people in 156,540 families used registered homeless shelters.

An analysis comparing CPS estimates to the 2000 Census found that CPS missed about 1.4% of the adult population. The authors estimate that this would result in an underestimate of poverty of about 600,000 people in 2000s, a decade before the sharp increase in family homelessness

described above.¹³

Other Evidence Finds Declining Conditions Among America's Poorest Families

The following evidence was provided by Arloc Sherman from the Center on Budget and Policy Priorities.

He writes:¹⁴

TANF case records compared with monthly BLS data point clearly to a large rise in single parents with neither employment nor basic monthly income assistance. For example, total non-employed single parents *edged upward* from 4.0 million to 4.6 million between 1995 and 2010, according to published BLS calendar-year average data. But HHS tables show that the number of non-employed adults TANF recipients (largely a subset of the BLS group) *plunged* from 4.0 million to 0.8 million between fiscal years 1995 and 2010. Though the survey and admin data are not directly comparable with one another in various ways (they are from different data sets, cover slightly different populations, and one is for calendar years and the other for fiscal years), the large magnitude of the changes makes the pattern — a growing jobless population unserved by cash assistance — unmistakable. (And re-running the data to make the categories comparable in terms of time periods and populations confirms the result, CBPP has found.) Most of that gap opened before the Great Recession.

Rigorous, random-assignment studies in the era leading up to TANF found that deep poverty rose in most welfare-to-work programs. This establishes that deepening poverty as a consequence of welfare-to-work policies not only is plausible but was common, and often went hand in hand with simultaneous declines in official (regular) poverty rates. Evaluations by the respected research firm MDRC of 11 programs that were similar to TANF in their welfare-to-work orientation (although without TANF's time limits) found that, while many recipients in these programs left the welfare rolls, found work, and rose above the poverty line, other recipients left the rolls, experienced jobless spells, and measured incomes dropped below half the poverty line. In most of the sites, deep poverty increased, relative to a randomly-assigned control group, according to administrative data:

- 6 of the 11 sites had a statistically significant increase in deep poverty;
- 4 sites had an increase in deep poverty that was not significant;
- 1 site had a decrease in deep poverty that was not significant.

Most programs simultaneously lowered regular poverty (measured income below 100% of the poverty line). This suggests that families either moved off the rolls upward into employment or downward into deeper poverty. Averaging across the 11 programs, deep poverty rose by +2.9 percentage points, while regular poverty fell an average of -2.1 percentage points. (Source: www.mdrc.org/publications/33/full.pdf, page 36 of 321.)

Multiple surveys find a large and/or growing problem of disconnected mothers. Turner, Danziger, and Seefeldt (2006) find growing numbers of welfare leavers with no work or welfare in the Michigan-specific WES. Acs and Loprest (2004) find 1/3 of those on TANF in 1997 were neither working nor on welfare in the 1999 National Survey of America's Families. Rebecca Blank and Brian Kovak find growing numbers of disconnected single mothers in the CPS and SIPP. Loprest (2011) reviews a number of these studies at www.acf.hhs.gov/sites/default/files/opre/disconnected.pdf.

¹³ John Schmitt and Dean Baker (2006, August). The Impact of Undercounting in the Current Population Survey. *Center for Economic and Policy Research*, retrieved November 26, 2015 from http://www.cepr.net/documents/cps_declining_coverage_2006_08.pdf

¹⁴ <http://www.cbpp.org/research/deep-poverty-among-children-worsened-in-welfare-laws-first-decade>

Administrative data from state and local programs in the wake of TANF likewise identified sizeable numbers of families leaving welfare without work. A study of families leaving the welfare rolls in Cuyahoga County (Cleveland), Ohio, for example, found that the percentage without work or welfare rose from 11 percent in 1998 to 20 percent in 2001.

Quantitative and Qualitative Research

Finally, our estimates were initially motivated by Edin's qualitative work, through which she found herself increasingly interacting with families who were surviving on no cash income. In constant dialogue with the sources of large-scale data described above, *\$2.00 a Day* is based on ethnographic research across four field sites in three regions, through which we interacted with many families who, to the best of our knowledge, fit the \$2-a-day profile, if they were SIPP respondents.

Thus, the key findings of this investigation have been substantiated, to the extent possible thus far, through both quantitative and qualitative means, with each line of inquiry informing the other.

While any one source of data has flaws, across a wealth of data—quantitative surveys and administrative data, evidence of randomized trials; and in-depth qualitative analysis—we find a strikingly consistent picture of deteriorating circumstances among America's very poorest families.