What are three things not counted in the calculation of the Federal Poverty Line?

Imagine two households, each with one worker who earns $50,000/year and no other income. What are some ways in which these families may have different economic situations?

Are the rich getting richer in Washington State? In the US? What about the poor?

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Poverty and Inequality - Class #2
- Welcome
  - Michelle Bagshaw
- Review – statistics
- Federal poverty lines

- Exercise: Self-sufficiency standard
- Discussion – Alternate measures
- Next class and beyond
  - Notes on papers
  - Readings

---

“The poor are getting poorer, but with the rich getting richer it all averages out in the long run.”
Statistics

- Describing a distribution
- Common descriptive statistics

- Percentiles / deciles / quintiles – location in rank
  Ex: 80th percentile = 8th decile = 4th quintile
- Percentage – number per 100 in given state
- Mean – arithmetic average
- Median – mid-point

percentages and percentiles

<table>
<thead>
<tr>
<th>#</th>
<th>Income</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>$0</td>
</tr>
<tr>
<td>2</td>
<td>$10,000</td>
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<tr>
<td>3</td>
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<td>4</td>
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<tr>
<td>9</td>
<td>$180,000</td>
</tr>
<tr>
<td>10</td>
<td>$180,000</td>
</tr>
</tbody>
</table>

- What percent of households have income of less than $30,000?
- What is the income of the family at the thirtieth percentile (aka third decile)?

mean versus median

<table>
<thead>
<tr>
<th>#</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0</td>
</tr>
<tr>
<td>2</td>
<td>$10,000</td>
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<tr>
<td>3</td>
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<td>9</td>
<td>$77,000</td>
</tr>
<tr>
<td>10</td>
<td>$180,000</td>
</tr>
</tbody>
</table>

| SUM 1-10 | $516,000 |

- What is mean?
- What is median?
### mean versus median

<table>
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<th>Income</th>
<th>HH</th>
<th>Income</th>
<th>HH</th>
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<td></td>
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<td>MEAN</td>
<td>$133,800</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>MEDIAN</td>
<td>$38,000</td>
</tr>
</tbody>
</table>

### Other demographic concepts

- Level
- Trend
- Changes in composition
- Changes in individual
- Inequality measures
Sensitivity of income statistics
How would the events below affect income at the

* mean?     * median?
* 10th percentile?  * 99th percentile?

(assume after-tax income, all other things equal)

1. A tax credit of $500 is given to families earning less than $25,000/year.
2. A stock market recovery increases investment income.
3. A recession causes the nation to lose a large number of blue-collar manufacturing jobs.

The Federal Poverty Line (FPL)

- Pre-history poverty lines
- Mollie’s legacy
- Includes / excludes
- Critiques and critics
Mollie Orshanky in 1971

from Social Security Administration Archives - http://www.ssa.gov/history/orshansky.html

Measures of Inequality

- Lorenz Curve and Gini Coefficient
- Share held by part of distribution*
- Gap or ratio between different parts of distribution*

*Rector & Hederman; Bernstein, Boushey et al.

Poverty trends - Considerations

- Why do the demographics of poverty matter?
- Interpreting readings
  - Poverty rate vs. percentage of the poor
    - Poverty rate = # poor / all
    - Percentage of poor = # in group / all poor
    - Earnings profiles over a lifetime
How long are people poor?  
Short versus long spells

- Why does this matter?
- Paradox: most people who are ever poor are poor for a short time, but at any given time most of the poor are long-term poor
- “Ever on” versus “point in time” measurement

![Graph showing age distribution in Census Quintiles](Image)

**Age distribution in Census Quintiles**


[Link to heritage.org/Research/Labor/CDA99-07.cfm]

**Break!!**
Self-sufficiency standard

- Calculate standard, noting any surprises

- When you get the SSS’s calculations, compare them to your figures. Again, note surprises.

- When finished, develop a list of other indicators of financial strain or well-being

Alternate income-based poverty standards

- Cost-of-living-based
  - Self-sufficiency standard

- Relative measures

- Fuchs point (half the median)
Alternative conceptions

- Duration of poverty
- Depth of poverty
- Consumption
- Wealth
- Social indicators

Demographic Briefing

- **Poverty option**: Research and analyze income or wealth distribution within a population defined by age, gender, race, ethnicity, geography or a combination thereof. If useful, compare that economic distribution with that of a relevant comparison group.
- **Inequality option**: Research and analyze a non-economic inequality such as educational attainment, health and longevity, political voice and power, criminal justice involvement, social mobility (the ability to climb the SES ladder), or access to reproductive health services.

Papers should be four double-spaced pages and include the following elements,
- An introduction outlining the purpose and key points of the paper
- Definitions and operationalizations of important concepts
- Documentation of the scope and magnitude of the chosen economic or social inequality
- A discussion of relevant context

Good papers

- Have a clear introduction
- Define terms and concepts
- Have clearly focused sections
  - ex: introduction, definitions, context, trends, current rates, composition, comparison
- Use subheadings
  - Ex: “Defining Childhood Poverty” “Poverty and the immigration process” “Poverty rates since 1960”
The best paragraphs

- Have topic sentences that make an argument
- Contain sentences supporting the argument
- Include and explain details or statistics that support the argument

Writing details

- Language
  - Third person
  - Objective
- Hints
  - percent not %
  - Start sentences with words
  - affect v. effect - affect=alter
- Avoid
  - Contractions (don’t don’t)
  - Over statement-ing – “It is important to…”
  - Over-transitioning – “As a result,” “for this reason”

Wordy versus concise phrasing
From UWSSW Guidelines for Student Papers

<table>
<thead>
<tr>
<th>Wordy or inflated</th>
<th>Concise</th>
</tr>
</thead>
<tbody>
<tr>
<td>At all times</td>
<td>Always</td>
</tr>
<tr>
<td>At the present time</td>
<td>Now / today</td>
</tr>
<tr>
<td>Due to the fact that</td>
<td>Because</td>
</tr>
<tr>
<td>In the final analysis</td>
<td>Finally</td>
</tr>
<tr>
<td>In the event that</td>
<td>If</td>
</tr>
</tbody>
</table>
Session 3 & Beyond

Readings