

Understanding Poverty



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Transitioning In and Out of Poverty

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Understanding how, why, and when families move in and out of poverty can reveal a more complete picture of the nation's poor than a static poverty rate provides. Exploring the trends and patterns of poverty shows who are the short-term and long-term poor, how likely people are to fall into or get out of poverty, and how long families stay poor. It can also uncover which events lead people into poverty and which ones help them escape.

- **Most researchers use the official poverty definition, though many modify it.** The official threshold is based on the minimum amount a family needs to buy food, multiplied by three. The most common change is comparing total household income rather than family income against the poverty threshold. This gives researchers a more accurate picture of who is poor by including the incomes of unmarried partners who live together.
- **Significant numbers of people move into poverty throughout their lives.** Slightly more than half (51.4 percent) of the U.S. population experiences poverty at some time before age 65 (Rank and Hirschl 1999). The chance of becoming poor is roughly 4 percent a year, but this figure does not reflect the number who cycle through poverty over the course of their lives. People are more likely to experience poverty at younger ages. About 35 percent of people are poor between age 20 and 40, compared with 23 percent who are poor between age 40 and 60 (Rank and Hirschl 2001). Also, household heads under age 25 are significantly more likely to become poor (McKernan and Ratcliffe 2002).
- **The likelihood of becoming poor is higher for blacks, Hispanics, those in households headed by women, and those with lower levels of education.** Poverty entry rates are about twice as high for blacks as whites—about 11 percent versus 5 percent (Burgess and Propper 1998; Ribar and Hamrick 2003). The difference between those in female-headed households with children and married-couple households with children is even larger. Single-mother households become poor at a rate of 15.7 percent a year, compared with just 2.8 percent for married-parent households (Ribar and Hamrick 2003).
- **On average, poor individuals have a one in three chance of escaping poverty in any given year.** Blacks, households headed by women, and households with more children have a lower probability of getting out of poverty. Higher education levels improve the likelihood of leaving poverty.
- **Roughly half of those who get out of poverty will become poor again within five years.** For those who were poor for at least five years and then escaped poverty, more than two-thirds will return to poverty within five years (Stevens 1994). People cycle in and out of poverty over the course of their lives, which can add up to a significant number of years in poverty.
- **Most people who become poor do not spend a long time in poverty.** Roughly 50 percent of those who become poor get out of poverty a year later; 75 percent experience poverty spells of less than four years. Not surprisingly, the longer a person has been poor, the less likely he or she is to escape poverty.

- **Blacks, Hispanics, households headed by women, and those with limited education spend more time in poverty than other groups.** Sixty-two percent of whites who experience poverty are poor for less than four years, compared with 39 percent of blacks who experience poverty (Stevens 1999). The amount of time spent in poverty among Hispanics falls between that of whites and blacks. Also, according to a study that tracked welfare leavers for five years, women who are nonwhite, have no high school education, and have younger children spend more time living below the poverty threshold (Meyer and Cancian 1998).
- **Job losses or pay cuts most often trigger poverty spells.** Between 40 and 50 percent of those who become poor live in a household where the head of the household, spouse, or other family member lost his or her job (Bane and Ellwood 1986; McKernan and Ratcliffe 2005; Ruggles and Williams 1987). Other events associated with poverty entry include moving from a two-parent household to a female-headed one, having a child, young adults setting up their own households, and someone in the household developing a disability (Bane and Ellwood 1986; Blank 1997; McKernan and Ratcliffe 2002, 2005).
- **Job gains and pay raises most often lift a household out of poverty.** Broadly, 50 to 70 percent of those leaving poverty have a family member get a job or have increased earnings (Bane and Ellwood 1986; Ruggles and Williams 1987). While there are some differences in the literature, a recent study finds that employment gains for any household member have roughly equal importance in facilitating poverty exit (McKernan and Ratcliffe 2005). Increases in educational attainment, such as completing a high school or postsecondary degree, have a large association with poverty exits, as do shifts from female-headed to two-parent households.

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