

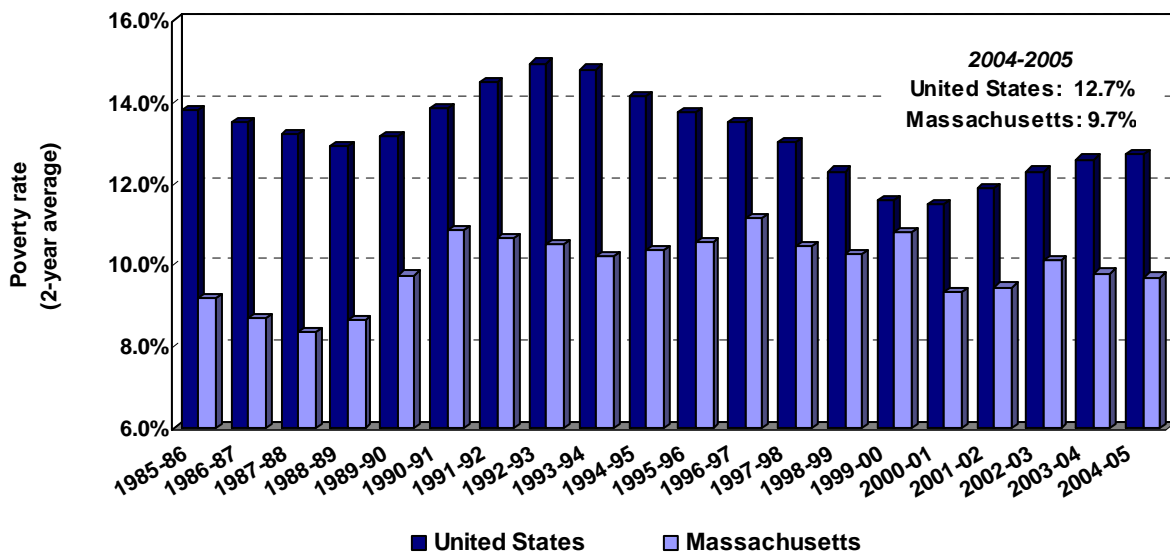


## Four Years into Recovery, Still No Improvement in Poverty in Massachusetts

On August 29, the U.S. Census Bureau released its annual updates on poverty, median household incomes, and health insurance coverage in the United States. The Census Bureau's data show that, although the national economic recovery entered its fourth year in 2005, Massachusetts' poverty rate failed to improve between 2003-2004 and 2004-2005 and has yet to fall back to its 2000-2001 levels.

- The poverty rate for Massachusetts for the 2004-2005 period was 9.7 percent, while the rate for the 2003-2004 period was 9.8 percent. While this may appear to signal a slight decline in the poverty rate in Massachusetts, the difference is not statistically significant, which effectively means that the Census Bureau is unable to measure any change between the two periods.
- Similarly, the Census Bureau's data indicate that there was no statistically significant change in the poverty rate in Massachusetts between 2000-2001, the period during which the national recession ended, and 2004-2005, the most recent period for which the Bureau has released data. In 2000-2001, the Massachusetts poverty rate stood at 9.4 percent; again, for 2004-2005, it was 9.7 percent. Given the size of the Census Bureau's statistical sample, this difference is not statistically meaningful.

Total Poverty Rates, MA and US, 1985-2005



- For the country as a whole, the poverty rate also failed to drop over the past several years. The U.S. poverty rate was 12.6 percent in 2005 and 12.7 percent in 2004. There is no statistically significant difference between those two years. More importantly, though, poverty across the country was still higher in 2005 than in 2001, when the economic recovery began and when the poverty rate was 11.7 percent.

## Methodological Notes

- The poverty rate measures the percentage of people who live in families with incomes below a certain level, known as the poverty threshold. This threshold varies depending on the number of people in a family and their ages; it is updated each year for inflation. For 2005, the poverty threshold for a single person under the age of 65 was \$10,160. For a family of four with two children, it was \$19,806 and, for a single parent with one child, it was \$13,461. For the purposes of determining the poverty rate, income is defined as all money income earned by a family, before taxes and excluding any non-cash benefits such as Medicaid or food stamps.
- The poverty threshold does not vary from state to state. If the poverty threshold were adjusted to take differences among the states into account, it is likely that the poverty rate for Massachusetts would be higher, given the Commonwealth's high cost of living. For instance, a December 2003 study by two U.S. Census Bureau analysts found that the poverty rate in Massachusetts for the period 1999-2001 would have been 13.3 percent, rather than 10.2 percent, if the federal poverty threshold were adjusted to account for differences in housing prices.<sup>1</sup>
- The Census Bureau's recent data on poverty and incomes derives from two main sources: the Current Population Survey (CPS) and the American Community Survey (ACS). The CPS is the older of the two surveys – dating back to the 1940s – and is therefore a more reliable source for making comparisons over time (though, due to sample size constraints, data must be pooled over two or three years to do so). The CPS is also the official source for national poverty and income data. The ACS is based on a larger sample and is thus able to provide information on a sub-state basis (e.g. at the county, city, or Congressional district level). However, as the full ACS sample was not in place until 2005, it is not currently considered appropriate to use it for comparisons over time.

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<sup>1</sup> Nelson, Charles and Short, Kathleen, *The Distributional Implications of Geographic Adjustment of Poverty Thresholds*, United States Bureau of the Census (Washington, DC), December 8, 2003, p. 23.