Young Adult Poverty in Historical Perspective: The Role of Policy Supports and Early Labor Market Experiences

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Young adults in America have experienced dramatic change in their family and work lives over the past five decades. Young women’s educational attainment and labor force participation have both increased dramatically, leading to increased economic independence and an improved economic position relative to young men (Brewster and Rindfuss 2000; Mischau 2001). At the same time, young men with low educational attainment have fared relatively poorly in the labor market (Ellwood and Jencks 2004; Oppenheimer 1994). Alongside these changes in the labor market have been changes in family formation, including delays in marriage, increasing cohabitation, a rise in non-marital childbearing, and increased divorce rates for those who do get married (Wu and Wolfe 2001). Young adults are also increasingly likely to be living with their parents or other kin than in the past (Cherlin, Morgan, Cumberworth, and Wimer, 2013), and are more likely to rely on parents for financial support (Schoeni and Ross, 2005). Finally, young adults are less likely than other groups to have access to some safety net programs, such as unemployment insurance, given their limited labor market experience. As such, young adults today are experiencing a longer and more varied and tumultuous path toward economic independence (Furstenberg 2010).

Given these cultural and labor market developments, understanding the long-term trends in young adults’ experience of poverty, as well as the role of government policies and programs, is critical. Our paper will examine trends in young adult poverty from 1967 to today using a historical version of an improved measure of poverty recently developed by the Census Bureau and the Bureau of Labor Statistics called the Supplemental Poverty Measure (SPM). We pay
particular attention to the effects of work and school enrollment status of young adults and their living arrangement on poverty for this group over time.

In a recent set of papers (Fox, Wimer, Garfinkel, Kaushal, and Waldfogel, 2015; Wimer, Fox, Garfinkel, Kaushal, and Waldfogel, 2013), we provided the first estimates of historical trends in poverty and the role of government anti-poverty policies for the period 1967-2012 using an improved historical measure of poverty based on the Census’ recently-developed Supplemental Poverty Measure. The SPM was developed because of widespread agreement among analysts, advocates, and policymakers that the official U.S. poverty measure is inadequate. As documented by the National Academy of Sciences (NAS) in their landmark report (Citro and Michael, eds., 1995), the official poverty measure (OPM) understates the extent of poverty by using thresholds that are outdated and that may not adjust appropriately for the needs of different types of individuals and households. The OPM may also overstate poverty by failing to take into account several important types of government benefits (in particular, the Supplemental Nutrition Assistance Program/Food Stamps and tax credits), which are not counted in cash income (Smeeding, 1977; Blank, 2008). Because of these (and other) failings, official poverty statistics do not provide an accurate picture of poverty or the role of government policies in combating poverty (Blank, 2008; Blank and Greenberg, 2008; Hutto et al., 2011; Iceland, 2005).

Our previous research presented the first estimates of trends in poverty over an almost 50-year period using the more nuanced SPM. But this work so far has only examined trends in the overall population, as well as a few key subgroups like children. In this paper, we focus specifically on young adults, and how they compare to other groups. We document (a) the prevalence of poverty over time for young adults aged 18-24; (b) the effects of government
policies and programs on poverty rates of young adults; (c) the effects of work and enrollment and how that has changed over time; and (d) the effects of living arrangements and how that has changed over time.

We use historical data from the Current Population Survey’s Annual Social and Economic Supplement (March CPS) and more recent data from the Consumer Expenditure Survey (CE) to produce SPM estimates for the period 1967 to 2012. We use a methodology similar to that used by the Census Bureau in producing their SPM estimates, but with adjustments for differences in available historical data. A key departure, which we describe in the thresholds section below, is that our estimates use what we call an “anchored SPM.” The anchored SPM sets thresholds based on contemporary spending patterns, and adjusts these thresholds backwards in time using only changes in inflation. This results in an absolute measure of poverty rather than the relative (or “quasi-relative”) measure that the Census has adopted for the SPM, where poverty thresholds change over time with changes in living standards (i.e., expenditures). Since one of our main objectives is to understand the effect of social policies on poverty rates, and how these have changed over time, an anchored or absolute measure provides a cleaner answer to this question, as changes over time in the anchored SPM stem mostly from changes in resources rather than a combination of changes in resources and living standards.

In comparison to other age groups, our preliminary results suggest that young adults aged 18-24 have experienced rising poverty rates over the past 50 years (see Figure 1). This group’s poverty rates rose from 22% to 24% over the period, whereas all other age groups saw their anchored SPM poverty rates decline. What accounts for these changes? We examine the role of school enrollment, employment, and family structure, as well as the role of government policies and programs. The composition of the young adult group has become increasingly: (1)
unmarried; (2) living alone without children; and (3) not attached to the labor force (either enrolled in school or not working). These groups all have elevated poverty rates in comparison with married and/or working groups; young adults without children also have limited access to resources from government programs. We show that the net result of these demographic, cultural, and labor market changes leaves young adults increasingly vulnerable to the experience of income poverty over time.

Figure 1: Overall Anchored SPM for Age Groups, 1968-2011

References


