

Poverty in California

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Preface

This Occasional Paper has been revised from the handout distributed at the committee session in order to cover several issues that were provided in the testimony in response to committee questions. This testimony draws heavily on Reed, D. and R. Van Swearingen (2001), "Poverty in California: Levels, Trends, and Demographic Dimensions," *California Counts*, Public Policy Institute of California, San Francisco, California.

What are the poverty trends for California?

The good news is that poverty has declined substantially in recent years. The California poverty rate fell from a peak of over 18 percent in 1993 to 12.6 percent in 2000 (Figure 1). With the recent slowing of the economy, poverty held steady at 12.6 percent in 2001.¹



Source: Author's calculations from the March CPS, 1968-2002.

Figure 1. Poverty Rates in California and the Rest of the Nation, 1967-2001

The bad news is that the longer trend has been one of rising poverty in California. The poverty rate fluctuates with business cycle conditions, growing during recessions and falling during prosperous times. Comparing across business cycle peak years, the poverty rate of 12.6 percent in California in 2000 was only slightly lower than the 12.9 percent in 1989 but substantially higher than the 10.2 percent in 1979 and the 9.1 percent in 1969.

¹ Beginning with 2000, the poverty rates are based on an expanded sample and weighted based on the 2000 Census. Without these adjustments, the 2000 poverty rate was 12.8 percent in California. The adjustments do not affect the national poverty rate. See Proctor, B. and J. Dalaker (2002).

The state's poverty rate caught up and passed the poverty rate in the rest of the nation in the late 1980s. Earlier, in 1969, the poverty rate in California was more than 3 points below the rate for the rest of the nation (9.1 percent compared to 12.5 percent). By 2001, California was 1 point higher (12.6 percent compared to 11.6 percent). Looked at in another way, California's poverty rate ranked 30th in the nation in 1980; by 2001, it was 14th. In that year year, the highest poverty state was New Mexico, followed by Mississippi and Arkansas.²

The poverty trend in Figure 1 is based on the federal definition of poverty. Under this definition, a family is considered poor if their pretax money income is below a federal threshold. For example, in 2001, a family with two adults and two children was considered poor if its annual income was below \$17,960.

The federal poverty measure is reported here because it is the only measure with widespread acceptance. It should be noted that the federal measure has several weaknesses including that it does not adjust for regional costs or living standards, it does not incorporate the different needs of working families (e.g., childcare), and it does not take into account health insurance, taxes (e.g., EITC), and nonmonetary benefits (e.g., food stamps).³

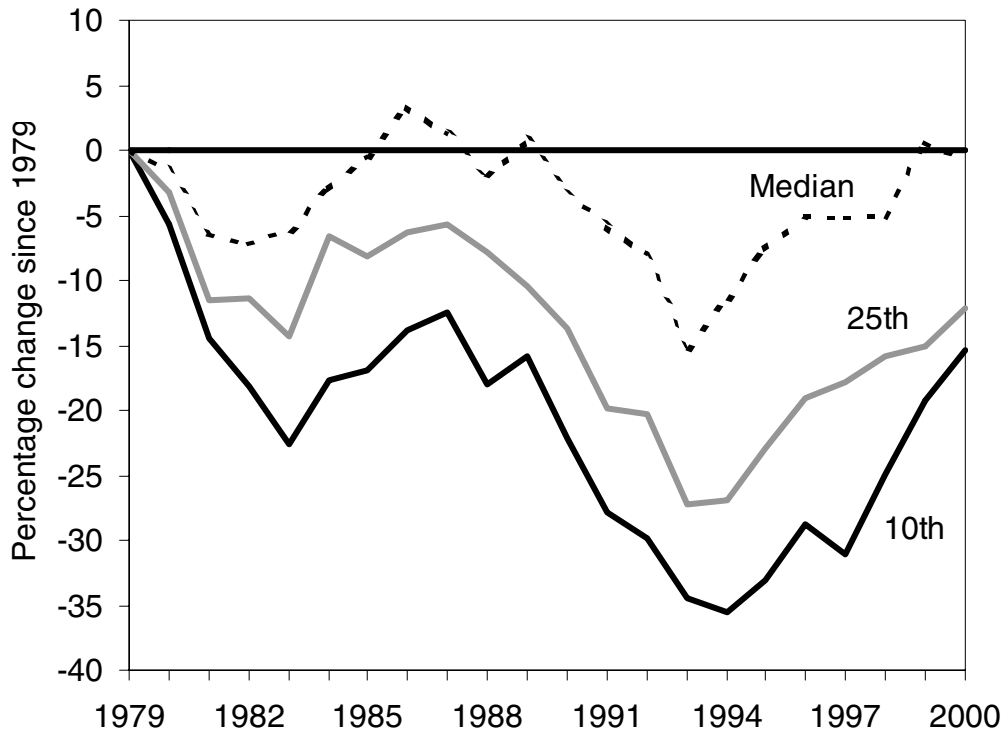
As an alternative to measuring poverty based on a specific threshold, we can investigate trends in income for low-income families. For example, the tenth percentile is the level of income at which only ten percent of people live in families with lower income. In 1979, the tenth percentile in California was \$17,500 (in inflation-adjusted, 2000 dollars).⁴ During the 1980s and early 1990s, the tenth percentile fell substantially so that by 1994, it had fallen 36 percent (Figure 2). Between 1994 and 2000, the tenth percentile grew so that in 2000 it was \$14,800—15 percent below its 1979 level. Similarly, family income at the 25th percentile fell 27 percent between 1979 and 1993 but grew substantially in the late 1990s so that by 2000, income at the 25th percentile was \$27,000 or 12 percent below the 1979 level of \$30,800. Indeed, throughout the lower half of the income distribution, family income declined substantially between 1979 and 1993, but grew substantially in the late 1990s. Thus, for any statewide poverty threshold (as long as it is adjusted annually only for inflation), we would find a decline in poverty during the

² State poverty comparisons are based on a three-year average for 1980 and a two-year average for 2001. Rankings for 2001 come from Proctor, B. and J. Dalaker (2002).

³ For a discussion of problems with the official measure of poverty, see Citro C.F., and R. Michael, eds. (1995).

⁴ Family income in Figure 2 is adjusted for inflation and family size as described in Reed, D. (2000).

recent economic boom⁵ but substantial growth in poverty between 1979 and 1993.



Source: Author's calculations from the March CPS, 1980-2001.

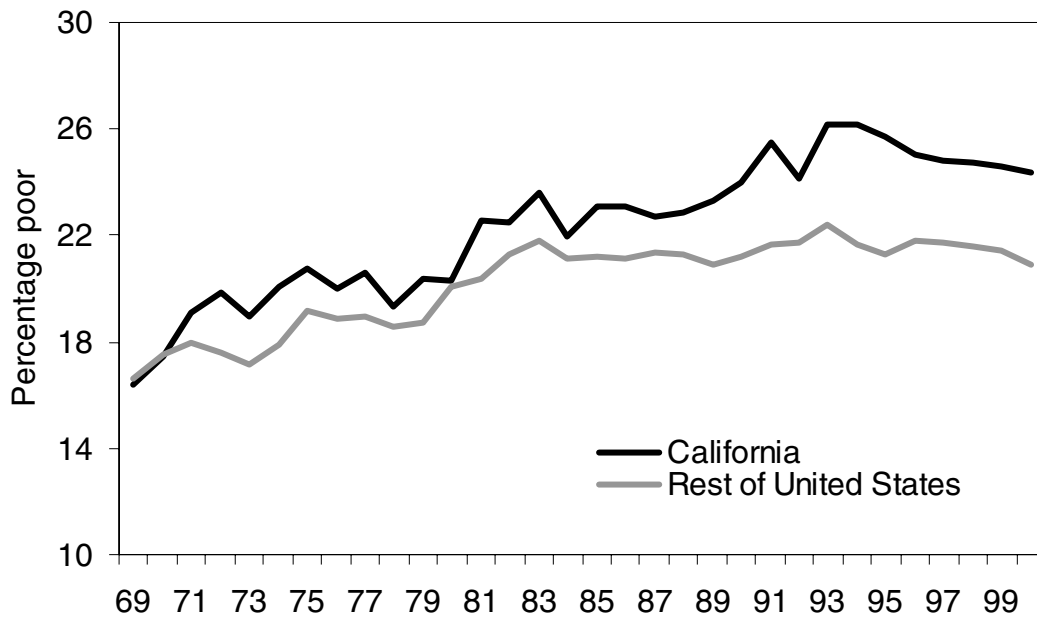
Figure 2. Family Income Trends in California by Income Percentile, 1979-2000

Alternatively, we can measure “relative poverty.” For example, one relative poverty measure considers a family to be poor if its annual income is less than half of the statewide median family income. In 2000, the relative poverty threshold for a family of four was \$26,347 and the relative poverty rate was 24.3 percent. During the economic boom of the late 1990s, relative poverty declined only when the incomes of low-income families grew faster than the incomes of middle-income families. Compared to the official measure of poverty (in Figure 1), relative poverty has not shown as marked an improvement in recent years, but it has consistently fallen from a high of 26.2 percent in 1993 (Figure 3).

Relative poverty shows a very strong upward trend from 16.4 percent in 1969 to 24.3 percent in 2000. Compared to the rest of the nation, California has

⁵ Reed and Van Swearingen (2001) find that using poverty thresholds adjusted by regional housing costs leads to a fall in the poverty rate from 20 percent in 1996 to 15 percent in 2000. By this measure California had the fifth highest poverty rate in 2000, behind Washington, D.C., New Mexico, New York, and Louisiana.

had higher relative poverty since the early 1970s; and relative poverty has also grown faster in California than in the rest of the nation. In 2000, California had the second highest level of relative poverty in the nation, after Washington, D.C.



Source: Reed and Van Swearingen (2001).

Figure 3. Relative Poverty for California and the Rest of the Nation, 1969-2000

Role of Immigration

In addition to the business cycle, the immigrant make-up of the California population is an important factor for understanding poverty rates in the state. Among people in families headed by a U.S. native, the poverty rate in California was 9 percent in 2001 (Table 1). For people in families headed by an immigrant who arrived before 1990, the poverty rate was 15 percent, and for those in families headed by a more recent immigrant, the poverty rate was 27 percent.

Compared to the rest of the nation, California has a substantially larger share of immigrants. Almost half (44 percent) of Californians lived in an immigrant family in 2001, compared to only 13 percent of people in the rest of the nation. Thus, California's poverty rate tends to be high relative to the rest of the nation in large part because of new populations of poor people who have come to the state.

Table 1. Poverty by Foreign-born Status, California and the Rest of the Nation, 2001

	<u>California</u>		<u>Rest of the Nation</u>	
	Poverty Rate	Share of population	Poverty Rate	Share of population
U.S.-born family head	9	56	11	87
Foreign-born family head, arrived before 1990	15	31	15	8
Foreign-born family head, arrived 1990 and later	27	13	21	5

Source: Author's calculations from the March CPS, 2002.

Who is poor?

Poverty rates vary substantially across demographic groups in California. Among racial and ethnic groups, white non-Hispanics had the lowest poverty rate of 8 percent in 1999 (Table 2, column 2).⁶ Hispanics, African Americans, and Native Americans had substantially higher rates of 22 percent. Among Asians, the poverty rate was 13 percent. The poverty rate among all Asians masks the very high rate among Southeast Asian refugees (Cambodian, Laotian, Vietnamese, and Hmong), which tends to be more than twice that of other Asian groups.

Another way to measure demographic dimensions of poverty is to ask, “Who are the poor?” That is, of those who are poor, what is their racial and ethnic make-up? Just over half of the poor in California were Hispanic and about one-fourth were white (Table 2, column 4).

Poverty rates for U.S.-born natives were lower than that of foreign-born non-citizens—12 versus 25 percent. Nevertheless, because most Californians were U.S.-born, nearly two-thirds of the poor were natives. Foreign-born citizens had relatively low poverty rates of 11 percent, which suggests that relative to non-poor immigrants, poor immigrants are less likely to become citizens.

⁶ In order to accurately measure poverty rates for small population groups such as Native Americans, Census 2000 data are necessary (measures poverty in 1999). Statistics for racial groups do not include multiple race respondents.

Poverty rates in California were particularly high for children – 20 percent for those 5 and under and 19 percent for older children. People of retirement age, 65 and older, were much less likely to be poor with 8 percent poverty rates. The majority of the population and the majority of poor people were prime-age adults (18 to 64).

Table 2. Poverty in California by Demographic Group, 1999

	1. Share of Population (%)	2. Poverty Rate (%)	3. Number of Poor (1000s)	4. Share of Poor (%)
Statewide poverty	100	14	4,706	100
Race and ethnicity				
White, non-Hispanic	47	8	1,210	26
Hispanic	32	22	2,378	51
Asian	11	13	466	10
African American	6	22	470	10
Native American	1	22	67	1
Place of birth				
U.S.-born	73	12	3,030	64
Foreign-born citizen	10	11	366	8
Foreign-born non-citizen	16	25	1,310	28
Age				
Children 5 and under	9	20	597	13
Youth 6 to 17	18	19	1,160	25
Adults 18 to 64	62	13	2,669	57
Adults 65 and older	10	8	280	6

Source: Census 2000, Summary File 3.

The demographic groups described in Table 2 are limited by the partial release of the 2000 Census. With new releases of the data, planned for later this year, we will create measures of poverty for Asian and Hispanic subgroups, for immigrant groups by generation, and for families and children characterized by family structure and work status.⁷ This data will be important for understanding the "feminization of poverty" across race, ethnic,

⁷ Testimony on poverty by demographic group was provided by Professor Michael Stoll of UCLA based on the March Current Population Survey. The statistics in Table 2 were provided to complement his testimony with data from the 2000 Census. For a fuller discussion of the demographic dimensions of poverty in California, see Reed, D. and R. Van Swearingen (2001).

and immigrant groups and the interaction between female poverty, family structure, and work.⁸

⁸ The testimony included a brief reference to commute patterns for women. See Doyle, G. and B. Taylor (2000).

Where do California's poor live?

The San Joaquin Valley has some of the highest poverty rate counties in California with poverty rates over 20 percent in 1999: Merced, Madera, Fresno, Tulare, and Kern (Table 3 and county map). Only four other counties of the 58 in California had similarly high poverty rates: Del Norte, Modoc, Yuba, and Imperial.

The San Francisco Bay Area has many of the lowest poverty counties with poverty rates less than 10 percent: Sonoma, Napa, Solano, Contra Costa, Santa Clara, and San Mateo. The Sierra foothill counties in the Lake Tahoe area also had low poverty: Nevada, Placer, El Dorado, and Amador. The only other county with poverty lower than 10 percent was Ventura.

Alternatively, we can consider the counties in terms of the number of poor people (second county map). By this measure, Los Angeles County stands out with over 1.7 million poor people – 35 percent of all poor people in California. Orange County and Riverside County also had large numbers of poor people, although they did not have particularly high poverty rates. Despite a relatively high poverty rate, sparsely populated Modoc had just over 2,000 poor people.

Data by census tract provides a neighborhood view of the geographic dimension of poverty in the state (see census tract maps). Census tract data can be used for targeting programs and resources to the poorest neighborhoods in the state and/or to the neighborhoods with the largest numbers of poor people. Every region of the state had at least a few census tracts with very high poverty rates of over 30 percent, although this was less common in the San Francisco Bay region.

References

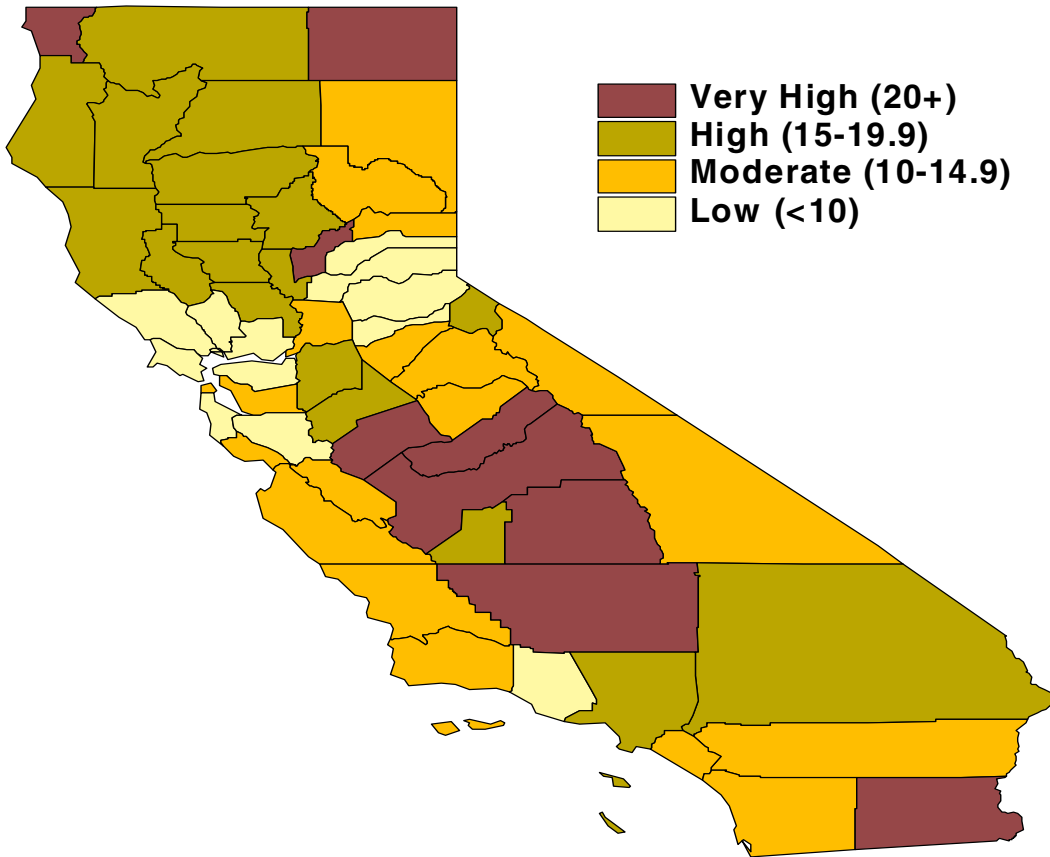
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Table 3. Poverty by California County, 1999

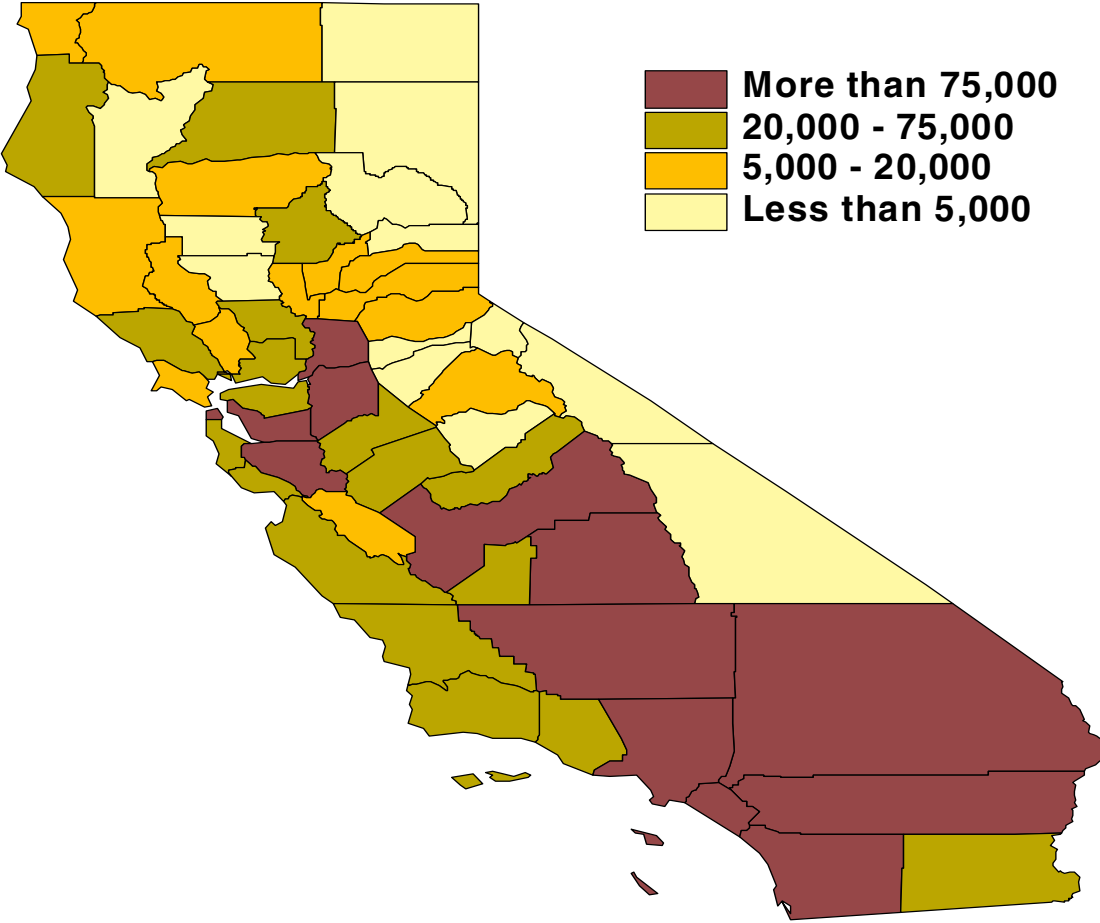
	Poverty Rate	Number of Poor	Share of Poor	County	Poverty Rate	Number of Poor	Share of Poor
Alameda County	11.0	158,812	3.3	Orange County	10.3	293,168	6.1
Alpine County	19.5	236	0.0	Placer County	5.8	14,407	0.3
Amador County	9.2	3,229	0.1	Plumas County	13.1	2,728	0.1
Butte County	19.8	40,228	0.8	Riverside County	14.2	219,445	4.6
Calaveras County	11.8	4,785	0.1	Sacramento County	14.1	172,513	3.6
Colusa County	16.1	3,027	0.1	San Benito County	10.0	5,323	0.1
Contra Costa County	7.6	72,110	1.5	San Bernardino County	15.8	270,091	5.6
Del Norte County	20.2	5,556	0.1	San Diego County	12.4	348,915	7.2
El Dorado County	7.1	11,097	0.2	San Francisco County	11.3	87,771	1.8
Fresno County	22.9	183,064	3.8	San Joaquin County	17.7	99,757	2.1
Glenn County	18.1	4,788	0.1	San Luis Obispo County	12.8	31,575	0.7
Humboldt County	19.5	24,671	0.5	San Mateo County	5.8	41,015	0.9
Imperial County	22.6	32,174	0.7	Santa Barbara County	14.3	57,107	1.2
Inyo County	12.6	2,261	0.0	Santa Clara County	7.5	126,194	2.6
Kern County	20.8	137,622	2.9	Santa Cruz County	11.9	30,417	0.6
Kings County	19.5	25,245	0.5	Shasta County	15.4	25,141	0.5
Lake County	17.6	10,262	0.2	Sierra County	11.3	402	0.0
Lassen County	14.0	4,736	0.1	Siskiyou County	18.6	8,240	0.2
Los Angeles County	17.9	1,703,962	35.4	Solano County	8.3	32,747	0.7
Madera County	21.4	26,345	0.5	Sonoma County	8.1	37,148	0.8
Marin County	6.6	16,321	0.3	Stanislaus County	16.0	71,520	1.5
Mariposa County	14.8	2,535	0.1	Sutter County	15.5	12,234	0.3
Mendocino County	15.9	13,716	0.3	Tehama County	17.3	9,695	0.2
Merced County	21.7	45,690	0.9	Trinity County	18.7	2,435	0.1
Modoc County	21.5	2,032	0.0	Tulare County	23.9	87,957	1.8
Mono County	11.5	1,478	0.0	Tuolumne County	11.4	6,213	0.1
Monterey County	13.5	54,238	1.1	Ventura County	9.2	69,294	1.4
Napa County	8.3	10,315	0.2	Yolo County	18.4	31,033	0.6
Nevada County	8.1	7,455	0.2	Yuba County	20.8	12,526	0.3

Source: Census 2000, Summary File 3.

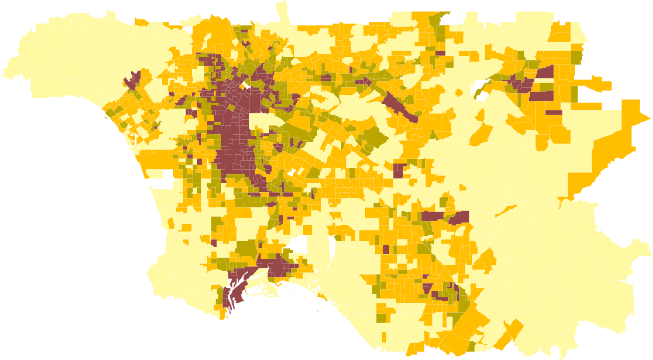
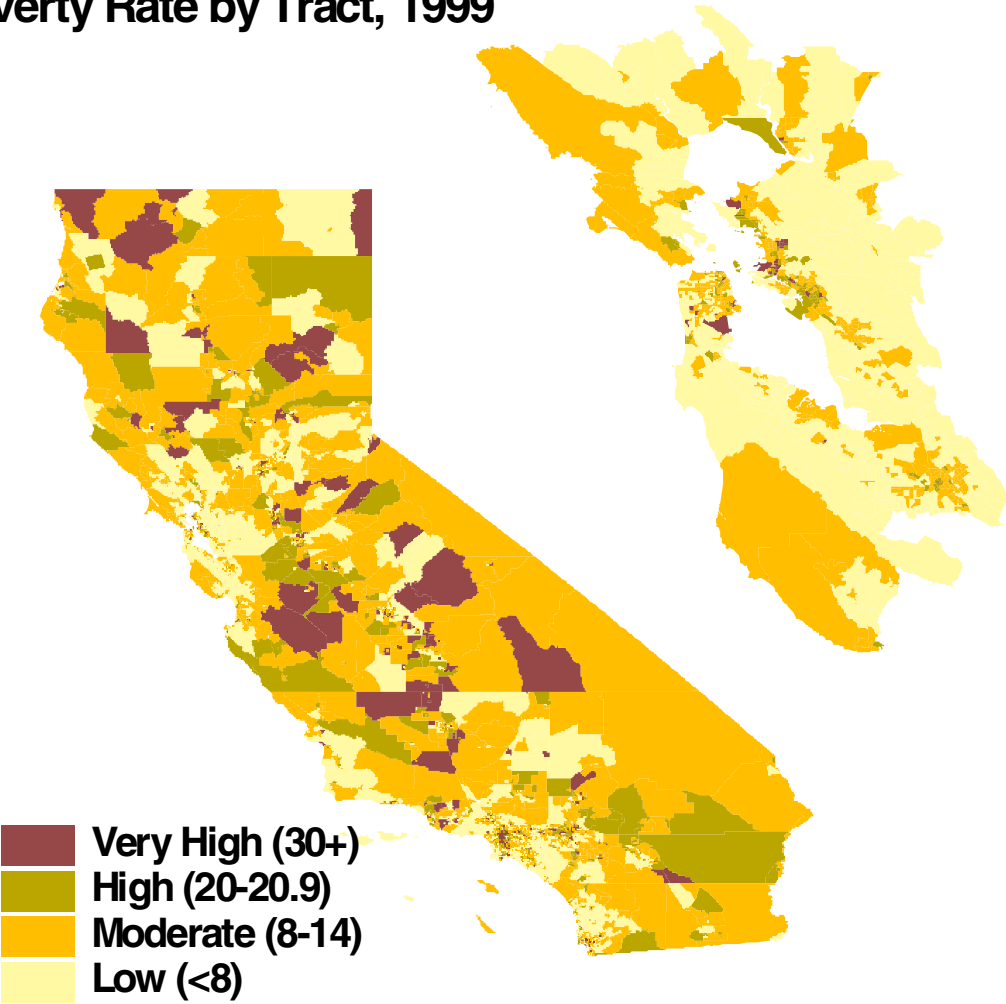
Poverty Rate by County, 1999



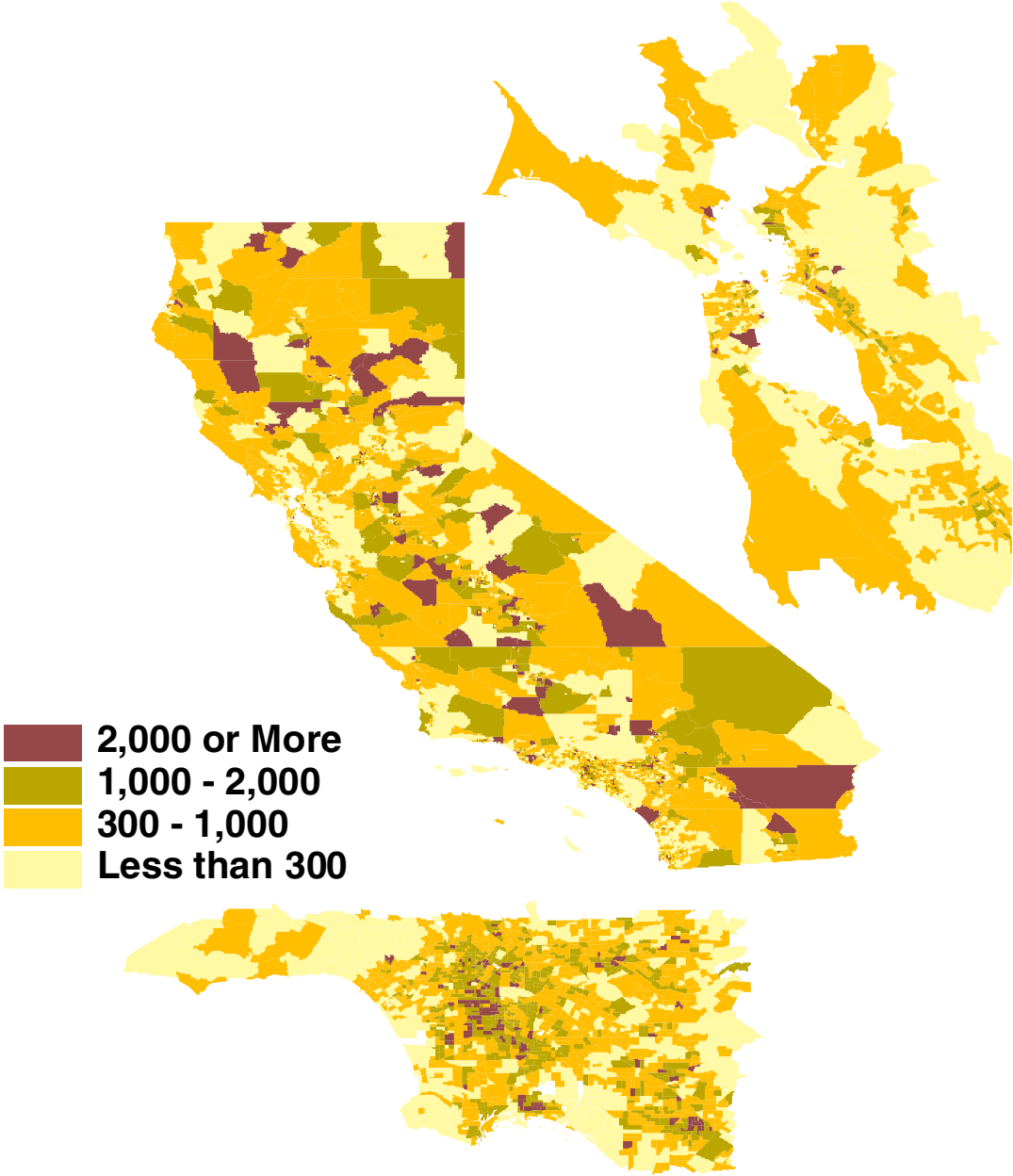
Number Poor by County, 1999



Poverty Rate by Tract, 1999



Number Poor by Tract, 1999



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