Living arrangements and Poverty during the Transition to Adulthood[1]

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This paper examines the poverty rates over the life course. Using an alternative poverty measure developed by the National Academy of Sciences, we demonstrate the importance of improved measurement of cost of living, social benefit receipt, individual economic resources, and family structure for understanding life-course variation in economic well-being. In addition, we examine variation in young adult poverty by gender and family structure. We find that the definition of family units has a large impact on the poverty rates of children and young adults. We also find that young adults ages 20-24 have extremely high poverty rates. Finally, we find that the poverty rates of young men and women who are not single mothers are underestimated using the traditional measure of economic resources and thresholds. In contrast, the NAS measure reduces the estimated poverty rate of single mothers.

Introduction

Official poverty rates in the U.S. vary widely across demographic groups: by age, gender and family structure. The official poverty measure, however, does not take into account many contributors to economic well-being that also vary by age, gender, and family structure, including tax and transfer benefits and medical expenditures. As a result, official poverty statistics may distort demographic differences in poverty rates. In November 2011, the Census-Bureau's released data from the Supplemental Poverty Measure (SPM), a poverty measure that more accurately reflects contemporary family structures, the economic resources available to families, and the cost-of-living. Short (2011) demonstrates that the official poverty rate significantly overestimates child poverty while underestimating elderly poverty; under the new measure, poverty rates vary little among across broad age categories of children, adults, and the elderly.[2]

Our goal is to examine the impact of an SPM-style poverty measure on life course, gender, and family structure differences in poverty status. We show that poverty rates among young adults have been significantly underestimated by the official poverty measure, and that the

[2] Poverty rates for children decrease from 23% to 18%; for adults ages 18-64, increases from 14% to 15%; for the elderly, increase from 9% to 16%.

poverty rates of persons ages 20-24 are as high as those of very young children. We find that the adjustment of family structure to include cohabiting families decreases poverty rate during childhood and young adulthood by as much as 2 percentage points compared to the official poverty measure. Finally, we find that the poverty rates of young single mothers decrease using an SPM-style measure, while those of single fathers increase. As a result, poverty rates during young adulthood increase significantly for men and much less so for young women. Although, family structure and gender differences in poverty among young adults remain large using an SPM-style measure, they are reduced compared to those estimated with official poverty rates.