

Unprecedented Prosperity? Household Income and Poverty  
Developments in Massachusetts and the U.S. at the End of the 1990s

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The State of the American Dream in New England

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## Introduction

In early 2000, the U.S. economy achieved the longest economic expansion in its history as measured by the growth of the nation's real Gross Domestic Product (GDP), and national labor market conditions remained quite strong, with the aggregate unemployment rate declining to four percent, the lowest in the past 30 years. The national and local media as well as many national political spokesmen daily cite the "unprecedented prosperity" achieved by the nation. How well has the economic prosperity of the 1990s succeeded in improving the economic well-being of the average family or household in the nation and the state of Massachusetts and in reducing the incidence of poverty problems among the general population? To help answer these critical questions, the U.S. Census Bureau conducts an annual household survey in March of each year that collects information on the incomes of the nation's households and families and the poverty status of the nation's residents.<sup>1</sup>

In late September of this year, the U.S. Census Bureau released the findings of the March 2000 Current Population Survey on the real incomes of the nation's households and families, the distribution of those incomes, and the number and proportion of the nation's population with incomes below the federal government's poverty line.<sup>2</sup> The economic news for many U.S. households and families was quite positive. A combination of increased employment, rising annual hours of work, and improved real wages for the nation's workers helped strongly boost the real (inflation-adjusted) median income of U.S. households and significantly lower the poverty rate among persons and families.<sup>3</sup> The Economist summarized the findings on real income developments in the following manner:

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<sup>1</sup> The survey is part of the monthly Current Population Survey (CPS) which collects information from 47,000 households across the nation. The U.S. Census Bureau released its findings on income and poverty developments for the nation, regions, and individual states in the following two publications:

(i) U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 209, Money Incomes of Households in the United States: 1999, U.S. Government Printing Office, Washington, D.C., 2000; (ii) U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 210, Poverty in the United States: 1999, U.S. Government Printing Office, Washington, D.C., 2000.

<sup>2</sup> For an average family of four persons, the poverty line in 1999 was \$17,029. The poverty line is adjusted for family size and the age composition of family members.

<sup>3</sup> The median household income is that income which divides the distribution of incomes into two equal parts. One-half of the nation's households obtain incomes less than the median while the other half receive incomes above the median. Households include families as well as non-family households. The latter include individuals living on their own or in shared living quarters with others to whom they are not related.

“Unsurprisingly, the news was good: the real median income of households in America rose to a record high of \$40,816. It was the fifth consecutive increase and a 2.7% improvement over the previous year.”<sup>4</sup>

The poverty rate for the nation’s population declined in 1999, falling to 11.8%, the lowest poverty rate that the nation has faced since 1979.<sup>5</sup> The declines in poverty were quite widespread across demographic groups, with especially large declines in Black and Hispanic poverty rates. The poverty rates of these two groups reached new historical lows last year. The nation’s central cities experienced strong income growth and were responsible for a large share of the decline in the national poverty rate.<sup>6</sup>

In addition to producing national estimates of median household incomes and poverty rates, the U.S. Census Bureau also presents selected findings for the four geographic regions and for individual states.<sup>7</sup> The U.S. Census Bureau’s updated findings on household incomes and poverty rates for Massachusetts and the other New England states received little to no coverage by the local media. This lack of any substantive coverage was quite surprising. Knowledge of these real income and poverty developments is indispensable for assessing the impacts of improved economic and labor market developments in the state and the New England region.

The number of wage and salary jobs in our state had continued to increase strongly during the past few years, the unemployment rate of the state had declined below three percent by the end of 1999, and real per capita incomes of state residents had exhibited very strong growth at the end of the 1990s.<sup>8</sup> Given these favorable labor market and per capita income developments, one might have hoped that the state would achieve solid gains in household

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<sup>4</sup> See: “All Boats Rising,” *The Economist*, September 30-October 6, 2000, p. 33.

<sup>5</sup> Steven A. Holmes, “Incomes Rise and Poverty Ebbs, Data Shows”, *The New York Times*, September 27, 2000, p. A12.

<sup>6</sup> D’Vera Cohn, “A Battle Won: The Census Bureau Says Poverty Rates Have Declined in the Nation’s Central Cities,” *The Washington Post National Weekly Edition*, October 2, 2000, p. 34.

<sup>7</sup> Unfortunately for Massachusetts, in the redesign of the national CPS sample in 1994, the monthly number of sample households in Massachusetts was reduced by nearly half from approximately 2300 to 1200, thereby reducing the statistical reliability of the income and poverty estimates. Due to small sample sizes for many states, the U.S. Census Bureau combines two years of data in generating estimates of median household incomes and poverty rates for individual states. The U.S. Census Bureau also provides public use tapes with state identifiers for each household that allow researchers to produce annual estimates of incomes and poverty rates for each state.

<sup>8</sup> The number of non-agricultural wage and salary jobs in the state had risen by 127,000 or 4% between 1997 and 1999. By 1999, the per capita real personal incomes of the state’s residents had increased by nearly 18 percent above their 1989 levels. These latter estimates are based on the state personal income series of the U.S. Department of Commerce’s Bureau of Economic Analysis.

incomes and sustained reductions in poverty. How well did Massachusetts households fare in improving their real incomes as the decade of the 1990s came to a close and how successful were state residents in avoiding poverty problems?<sup>9</sup> Was the state able to match or exceed the income gains and poverty reductions achieved by the nation in recent years? This policy brief is designed to provide preliminary answers to these key public policy questions by examining and analyzing recently-released findings on household incomes and poverty problems in Massachusetts and the U.S. and tracking progress in each of these critical areas over the entire decade of the 1990s.

### **The Growth of Household Incomes in the U.S. and Massachusetts**

The continued strong growth in employment and real weekly wages of most workers in the U.S. during the late 1990s helped boost real household incomes to record highs. As noted above, the median real income of households in the U.S. during 1999 rose above \$40,000 for the first time in the nation's history.<sup>10</sup> In fact, median real household incomes have been rising since 1993 (Table 1). During the recessionary environment of the early 1990s, median real household incomes had declined, falling by \$2,000 or 5% between 1989 and 1991, and they continued to drop during the early stages of economic recovery. By 1993, median household income had fallen close to \$36,000, or 7 percent below the 1989 cyclical peak income. While median real incomes of the nation's households have grown steadily and strongly since 1994, the growth rate in median household incomes over the entire 1990s decade was only 5.1%, essentially identical to the nation's 4.8% growth rate over the decade of the 1980s.<sup>11</sup> This finding raises a serious

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<sup>9</sup> For previous studies of family income and poverty developments in Massachusetts and New England during the 1980s and 1990s,

See: (i) Andrew M. Sum, Paul E. Harrington, et.al., "Poverty Amid Renewed Affluence: The Poor of New England at Mid-Decade," *New England Journal of Public Policy*, Summer/Fall 1986, Vol. 2, No. 2, 1986, pp. 6-30; (ii) Andrew Sum and Neeta Fogg, *Poverty Amidst Plenty: Family Poverty Problems in New England and Massachusetts*, Center for Labor Market Studies, Northeastern University, Boston, 1991; (iii) Andrew M. Sum, Paul E. Harrington, et.al., *The New England Economy in Recession: An Assessment of Its Economic and Social Consequences*, Education and Employment Project, Division of Cooperative Education, Northeastern University, Boston, 1992; (iv) Andrew Sum, Neal Fogg, Neeta Fogg, et.al., *The State of the American Dream in New England*, Massachusetts Institute for a New Commonwealth, Boston, 1996; (v) Andrew Sum, Anwiti Bahuguna, Neeta Fogg, et.al., *The Road Ahead: Emerging Threats to Workers, Families, and the Massachusetts Economy*, Massachusetts Institute for A New Commonwealth, Boston, 1998.

<sup>10</sup> The median nominal incomes of households for each year were converted into constant 1999 dollars via use of the U.S. Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers.

<sup>11</sup> Between 1979 and 1989, the median household income (in constant 1999 dollars) rose from \$37,059 to \$38,837, a gain of 4.8%.

question about the claims of “unprecedented” national economic prosperity in the 1990s as measured by the average household’s living standards.

Table 1:  
Trends in the Median Real Incomes of Households in the U.S., Selected Years 1989 to 1999  
(in Constant 1999 Dollars)

Year	Median Income
1989	\$38,837
1990	\$38,168
1991	\$36,850
1992	\$36,557
1993	\$36,019
1994	\$36,270
1995	\$37,251
1996	\$37,686
1997	\$38,412
1998	\$39,744
1999	\$40,816
Percent Change	
1989-99	+5.1%
1994-99	+12.5%

Sources: (i) U.S. Census Bureau, Current Population Reports, Series P-60, No. 209; (ii) U.S. Census Bureau, “Historical Income Statistics,” web site, October 2000.

The median real income of households in Massachusetts during 1999 was estimated to be \$44,192, a gain of \$912 over 1998, but not large enough to be classified as statistically significant.<sup>12</sup> The 1999 median real income of Massachusetts households was only \$1,460 or 4% higher than in 1993 and was nearly 9 percent below its historical peak of \$48,483 in 1989. The renewal of prosperity of the state has not yet been strong enough to restore the real income of the average household to its 1989 level. The state’s experience in the 1990s stands in substantial contrast to that of the 1980s when median real household income in Massachusetts is estimated to have increased by nearly 23%.<sup>13</sup> The weak gains in median real household income in our state

<sup>12</sup> Due to the U.S. Census Bureau’s decision to reduce the sample of Massachusetts households by nearly one-half in 1994, the standard errors of the median household income estimates have risen considerably. The standard error of the 1999 estimate was \$2,088.

<sup>13</sup> Between 1979 and 1989, median real family income in Massachusetts was estimated to have increased by nearly 20 percent (in constant 1996 CPI-UX1 dollars).

since the mid-1990s and the inability to restore 1989 real income levels can help explain the growing housing affordability problems of recent years. Most recent studies of housing affordability in the state, however, have either provided misleading analyses of household income growth or neglected the anemic growth of real household income in recent years relative to the run-up in housing costs, especially in the Boston metropolitan area.<sup>14</sup>

Table 2:  
Trends in the Median Real Incomes of Households in  
Massachusetts, Selected Years 1989 to 1999  
(in Constant 1999 Dollars)

Year	Median Income
1989	\$48,483
1990	\$46,203
1991	\$43,685
1992	\$43,175
1993	\$42,733
1993-94	\$44,131
1994-95	\$43,848
1996-97	\$42,778
1998-99	\$43,736
• 1998	\$43,280
• 1999	\$44,192
Percent Change	
• 1989-99	-8.9%
• 1994-99	-.9%

The surprisingly weak performance of the state in raising median real household incomes in the decade of the 1990s was not confined to our state.<sup>15</sup> For the Northeast region as a whole and for six of the nine Northeast states, median real incomes in 1999 were below those received in 1989, with Connecticut, Massachusetts, and New York faring the worst in the region (Table

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See: Andrew Sum, Anwiti Bahuguna, Neeta Fogg, et.al., *The Road Ahead...*, p. 51.

<sup>14</sup> A recent editorial on low-cost housing in *The Boston Globe* cites potential income problems at the bottom of the distribution, but neglects the anemic growth of median household incomes.

See: Elaine Werby, Donna Haig Friedman, and Michael E. Stone, "How to Create Low-Cost Housing," *The Boston Globe*, October 16, 2000, p. A19.

<sup>15</sup> The weak performance of Massachusetts in improving median real incomes of households in the late 1990s does, however, stand in substantial contrast to the experiences of the other New England states, whose 1998-99 real average household incomes rose by 4 to 9 percent, with four of these five gains being statistically significant.

See: U.S Census, "Household Income 1999 Tables," web site, October 2000.

3). Only the states of Pennsylvania (+1.8%) and Rhode Island (+4.8%) were able to modestly improve their median real incomes over the decade of the 1990s while Maine's median household income was unchanged. The Northeast was the only one of the four regions to experience a decline in its median real household income in the 1990s. This represented a dramatic reversal from its relative economic performance in the decade of the 1980s when the growth rate of median real incomes of Northeast region households (+16%) led the rest of the nation by a substantial margin. (Table 4).

Table 3:  
Trends in Median Real Household Incomes in the Northeast Region and the  
Individual Northeast States, 1989 to 1998-99  
 (in Constant 1999 Dollars)<sup>(1)</sup>

	(A)	(B)	(C)
State/Region	1989	1998-99 Average	Percent Change 1989-1998/99
Northeast Region	\$43,857	\$41,984 <sup>(2)</sup>	-4.1
Connecticut	\$56,916	\$49,167	-13.6
Maine	\$37,916	\$37,680	+6
Massachusetts	\$48,364	\$43,736	-9.6
New Hampshire	\$50,378	\$46,059	-8.6
New Jersey	\$52,410	\$50,428	-3.8
New York	\$42,316	\$39,139	-6.6
Pennsylvania	\$38,266	\$38,936	+1.8
Rhode Island	\$40,302	\$42,260	+4.8
Vermont	\$42,046	\$40,936	-2.5

Sources: (i) March 1990 CPS, public use tape, tabulations by Center for Labor Market Studies;  
 (ii) U.S. Census Bureau, Current Population Reports, Series P-60, No. 209.

Note: (1) The national CPI-U index was used to convert 1989 nominal incomes for each state into their constant 1999 dollar equivalents.  
 (2) Data for the Northeast are for 1999 only.

Table 4:  
Growth Rates in Median Real Household Income (in Constant 1999 Dollars)  
In the U.S. by Region, 1979-89 and 1989-99  
 (in Percent)

	(A)		(B)
Region	1979-89	Region	1989-99
U.S.	+4.8	U.S.	+5.1
Northeast	+15.5	Midwest	+10.5
West	+6.3	South	+7.7
South	+3.1	West	+2.3
Midwest	-.9	Northeast	-4.3

The substantial divergence in the growth rates of the median incomes of households in Massachusetts and the U.S. over the past decade has sharply reduced the comparative income advantage of the state. At the end of the 1980s, the median income of Bay State households was nearly 25% higher than that of the nation's (Table 5). The state's relative income advantage declined sharply during the severe regional economic recession of the early 1990s, but began to recover by mid-decade as the state's economy gained renewed strength. Since 1994, however, the state's relative income position has again deteriorated steadily and strongly. During the 1998-99 period, the median income of Massachusetts households was only 9 percent above that of the nation. Adjusting the state's median income for its higher cost-of-living in the late 1990s would eliminate all of that modest advantage.<sup>16</sup>

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<sup>16</sup> For alternative methods for adjusting state incomes for cost-of-living differences, See: Andrew Sum, Anwiti Bahuguna, et.al., The Road Ahead: Emerging Threats to Workers, Families, and the Massachusetts Economy, pp. 25-28.

Table 5:  
Trends in Median Real Household Incomes in the U.S. and  
Massachusetts, Selected Years, 1989-1999  
(in Constant 1999 Dollars)

	(A)	(B)	(C)
Year	U.S.	Massachusetts	Massachusetts As % of U.S.
1989	\$38,837	\$48,364	124.5
1990	\$38,168	\$44,852	117.5
1991	\$36,850	\$42,409	115.1
1992	\$36,557	\$43,411	118.7
1993-94	\$36,144	\$44,131	122.1
1994-95	\$36,760	\$43,848	119.3
1996-97	\$38,049	\$42,778	112.4
1997-98	\$39,078	\$43,450	111.2
1998-99	\$40,280	\$43,736	108.6

What are the key forces underlying the failure of median real household incomes in the state to rise to any substantive degree in recent years despite strong gains in employment and per capita personal incomes? One likely factor is the rising degree of household income inequality in the past decade. During the 1990s, household and family incomes became more unequally distributed in the entire Northeast region and the state.<sup>17</sup> Findings on the growth of median and mean real household incomes in the Northeast and other regions of the country reveal that mean incomes increased more rapidly than median incomes especially here in the Northeast. While the median real income of households in the region fell by four percent, the mean income (the arithmetic average) rose by nearly eight percent. The gap between the growth rates of median and mean household incomes in our region (12 percentage points) was greater here than elsewhere in the nation, indicating that household income inequality rose more in the Northeast than in any other region. An earlier analysis of this rise in household income inequality in the Northeast revealed that the primary factor was the sharp rise in the share of income accruing to households in the top quintile of the distribution.<sup>18</sup> Gains in real household income were very unevenly shared in our region in the 1990s, driven by rising inequality in worker earnings.

<sup>17</sup> See: Andrew Sum and Neeta Fogg, with Mykhaylo Trubb'sky and Sheila Palma, The Northeast Region's Economy on the Eve of the Twenty-First Century, Report Prepared for the Teresa and H. John Heinz III Foundation, forthcoming 2000.

<sup>18</sup> See: Andrew Sum and Neeta Fogg, The Northeast Region's Economy on the Eve of the Twenty-First Century...

Table 6:  
Growth Rates in Median and Mean Real Household Incomes in the U.S. and  
The Four Regions, 1989-99  
 (Numbers in Percent)

	(A)	(B)	(C)
Region	Median Income	Mean Income	Mean Minus Median
U.S., Total	+5.1	+11.8	+6.7
Midwest	+10.5	+15.0	+4.5
Northeast	-4.3	+7.9	+12.2
South	+7.7	+13.6	+5.9
West	+2.3	+10.3	+8.0

Source: U.S. Census Bureau, "Historical Income Tables – Households," web site, October 2000.

Further research on the changing distribution of household and family incomes in Massachusetts is clearly called for. Have household incomes in the Commonwealth become more unevenly shared in the 1990s? Who have been the gainers and losers from this changing distribution of economic rewards? How have changing demographics, shifts in the composition of households, and rising wage and property income differentials contributed to the rise in household income inequality in the state and the entire New England region in the 1990s? Analyses of these critical public policy issues will be presented in a forthcoming series of research reports under The State of the American Dream in New England project.

### **Recent Poverty Developments in the United States and Massachusetts**

Since the federal government declared war on poverty in 1964, national poverty statistics typically have been closely monitored to identify the degree of success achieved by the nation in reducing the number of individuals and families with money incomes below the official poverty income thresholds.<sup>19</sup>

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<sup>19</sup> In determining the poverty status of any family, the U.S. Census Bureau only takes into consideration their pre-tax money income. The money income measure excludes the value of Earned Income Tax Credits, both federal and state, as well as in-kind benefits nearly equivalent to cash, such as food stamps, rental housing subsidies, school lunches for children, and the tangible value of Medicaid benefits. For a more detailed discussion of the issues involved in incorporating such benefits into the money income measures,

See: (i) U.S. Census Bureau, Poverty in the United States, 1999; (ii) Andrew Sum, Anwiti Bahuguna, and Sheila Palma, Rethinking Poverty Measures: Local Housing Costs, Adjusted Poverty Lines and their Consequences for Massachusetts, Center for Labor Market Studies, Northeastern University, Boston, 1999.

The strong performance of the U.S. economy since the mid-1990s combined with the rising labor supply and real wages of low income family heads, especially single mothers, has helped push down the poverty rate among persons and families. The poverty rate for all persons in the U.S. had risen from 12.8% in 1989 to 15.1% in 1993, but has declined fairly steadily since then, falling to 11.8% in 1999, the lowest poverty rate since 1979. (Table 7 and Chart 1). The historical low for the nation's poverty rate was 11.1% in 1973.

Table 7:  
Trends in Poverty Rates of All Persons<sup>1</sup> and of Related  
Children Under 18 in Families: U.S., 1989-99  
(Numbers in Percent)

	(A)	(B)
Year	All Persons	Children Under 18
1989	12.8	19.0
1990	13.5	19.9
1991	14.2	21.1
1992	14.8	21.6
1993	15.1	22.0
1994	14.5	21.2
1995	13.8	20.2
1996	13.7	19.8
1997	13.3	19.2
1998	12.7	18.3
1999	11.8	16.3

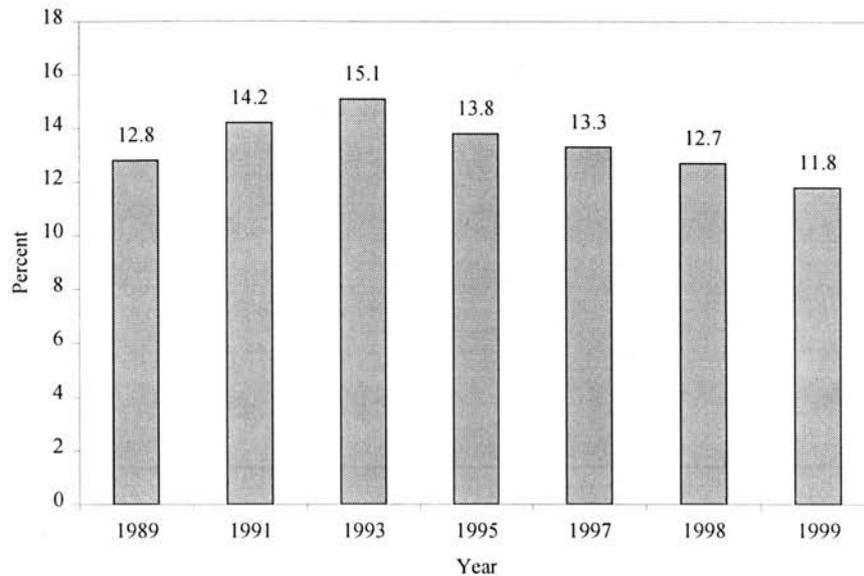
Note: (1) All persons include individuals living on their own or in households with others to whom they are not related.

Source: U.S. Census Bureau, 1999 and 2000.

The family poverty rate also has been declining in recent years, which has led to substantive reductions in the incidence of poverty problems among the nation's children. During the recessionary years of the early 1990s, the poverty rate among children under 18 years old in the nation's families rose from 19% to 21 percent and rose further to 22% by 1993 (Table 7). Over the past six years, the child poverty rate has declined steadily, falling close to 16 percent in 1999, representing a near six percentage point drop (Table 7). A combination of a rising economy that has boosted the demand for less educated and less experienced workers and the impact of national and state welfare reforms have been jointly credited by analysts for these

favorable poverty developments, especially among families with children. The expansion of the Earned Income Tax Credit in the 1990s also deserves some credit for increasing work incentives among low-income family heads and boosting their post-transfer incomes.<sup>20</sup> The inclusion of EITC tax credits and food stamps in the money incomes of families with children would reduce the official poverty rate by several percentage points.<sup>21</sup>

Chart 1:  
Trends in the Poverty Rate of Persons in the U.S., Selected Years 1989 to 1999



How well has Massachusetts fared in combating poverty problems in the 1990s? During the economic boom of the 1980s, the state had made sustained progress in reducing poverty problems among residents, with the state poverty rate falling to the 8.3-8.4 percent range in 1987 and 1988, the lowest rates recorded in our history.<sup>22</sup> During the recessionary period of the early 1990s, the poverty rate among state residents had risen to 11.0% before falling modestly to 10.4% at mid-decade as the economy began to experience steady growth in jobs and real

<sup>20</sup> For an analysis of the labor force participation impacts of the legislative changes in the 1986 EITC, See: Nada Eissa and Jeffrey B. Liedman, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, Volume III, Issue 2, May 1996, pp. 605-637.

<sup>21</sup> The sizes of the Earned Income Tax Credits were substantially expanded in 1993. The federal EITC is a refundable tax credit that today provides some \$30 billion in payments to low income family heads and single individuals. As noted earlier, however, the U.S. Census Bureau does not include EITC tax credits as part of the money income of households. In an alternative set of poverty measures, it does include EITC credits as income.

<sup>22</sup> At the time of the 1970 Census, the poverty rate in Massachusetts was estimated to be 8.6%, the third lowest in the nation.

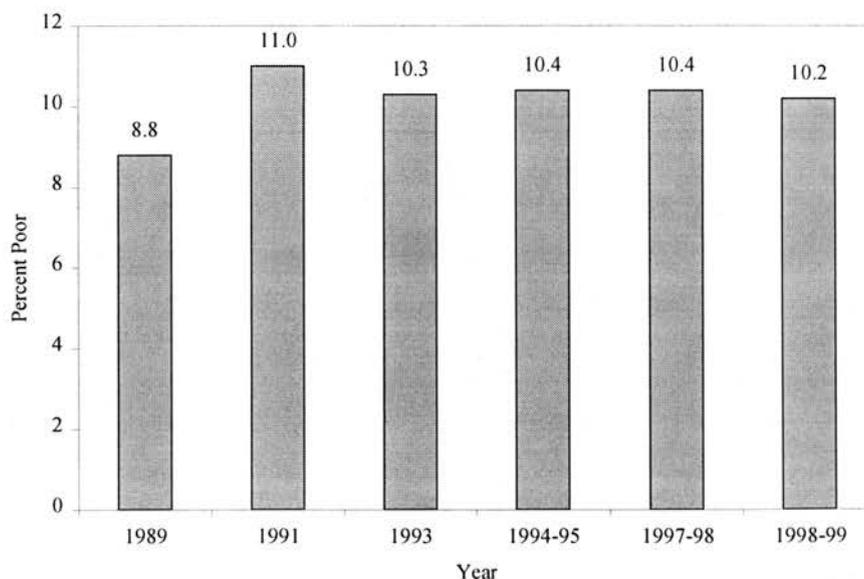
incomes. (Table 8 and Chart 2). However, since 1993-94, there has been no further statistically significant reduction in the incidence of poverty problems among the state's residents despite continued strong job growth, steep declines in unemployment, and declining welfare caseloads. The 10.2 percent annual average poverty rate of state residents in 1998-99 was statistically identical to the 10.3 percent poverty rate of 1993.

Table 8:  
Trends in the Poverty Rate of All Persons in Massachusetts, Selected Years 1989 to 1999  
(in Percent)

Year	Percent
1989	8.8
1990	10.7
1991	11.0
1992	10.4
1993	10.3
1994-95	10.4
1995-96	10.5
1996-97	11.2
1997-98	10.4
1998-99	10.2

Source: U.S. Census Bureau, Current Population Reports, Series P-60, selected years, 1990 to 2000.

Chart 2:  
Poverty Rate of All Persons in Massachusetts, Selected Years 1989 to 1999



The substantial divergence in poverty trends between the nation and the state since the mid 1990s is somewhat surprising, given the substantial improvement in state aggregate labor market conditions and the widely publicized steep drop in the state's TANF caseloads. The comparative poverty position of the state has deteriorated considerably since the late 1980s. Over the 1987-89 period, the annual average poverty rate of Massachusetts was only 8.5%, nearly five percentage points lower than the nation and representing the 7<sup>th</sup> lowest poverty rate in the nation. During the early 1990s, the gap between the state and the nation narrowed and the state's ranking fell to 15<sup>th</sup> lowest. After improving modestly over the 1992-94 period, the state's comparative poverty position has again deteriorated. Only two percentage points separated the state and national poverty rates in 1998-99, and Massachusetts only ranked 16<sup>th</sup> lowest on this measure. Adjusting each state's poverty estimates for differences in the cost-of-living would further reduce the state's ranking.

Table 9:  
Comparisons of Poverty Rates Among All Persons in the U.S. and Massachusetts,  
Selected Years 1987 to 1989

	(A)	(B)	(C)	(D)
Time Period	U.S.	Massachusetts	Massachusetts – U.S.	Massachusetts Rank Among 50 States and D.C.
1987 – 89	13.1	8.5	-4.6	7 <sup>th</sup> Lowest
1990 – 92	14.2	10.7	-3.5	15 <sup>th</sup> Lowest
1992 – 94	14.8	10.2	-4.6	12 <sup>th</sup> Lowest
1994 – 96	14.0	10.3	-3.7	12 <sup>th</sup> Lowest
1997 – 98	13.0	10.4	-2.6	17 <sup>th</sup> Lowest
1998 – 99	12.2	10.2	-2.0	16 <sup>th</sup> Lowest

Source: U.S. Census Bureau, Current Population Reports, Selected Years.

The inability of the state to reduce poverty problems since the mid-1990s remains somewhat of a puzzle and is clearly deserving of further research. Among the key questions to be answered would be the following:

- Which families and individuals in Massachusetts remain poor today in comparison to the late 1980s and mid-1990s? Has there been a structural shift in the composition of the poor?

- Has the continued rise in foreign immigration in the state during the 1990s made poverty somewhat of a more intractable problem? Do immigrants represent a higher share of the state's poor today?<sup>23</sup> If so, who are the new immigrant poor?
- Why has the steep decline in the state's TANF caseloads since the mid 1990s not been accompanied by a similarly sized decline in poverty among families with children? How well have former welfare families fared in the labor market since leaving the welfare rolls?<sup>24</sup> How many remain poor today?
- How would the inclusion of EITC tax credits, food stamps, rental housing subsidies, and other in-kind benefits in the income estimates for the poor reduce the estimated incidence and intensity of poverty problems among state residents and families? How large are the poverty income deficits of the remaining poor and how might state policies be used to lower the pool of residents falling into the ranks of the poor in the future?

Many of these important social and economic issues will be addressed in a forthcoming set of public policy research briefs under The State of the American Dream in New England project.

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<sup>23</sup> For earlier findings on the income and poverty experiences of the immigrant population in Massachusetts, See: Andrew Sum, Neal Fogg, et.al., The Changing Workforce: Immigrants and the New Economy in Massachusetts, Massachusetts Institute for A New Commonwealth and Citizens Bank, Boston, 1999.

<sup>24</sup> Previous follow-up studies of welfare case closings by the Massachusetts Department of Transitional Assistance have been characterized by small sample sizes and very high rates of attrition, complicating a proper interpretation of the results.