Current Population Reports

Household Economic Studies

Dynamics of Economic Well-Being: Income, 1992 to 1993

Moving Up and Down the Income Ladder

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The great majority of Americans experience significant fluctuations in their economic well-being from one year to the next. About three-fourths of the population see their economic well-being go either up or down by at least 5 percent from one year to the next as a result of changes in living arrangements, program participation, work status, or other circumstances.

Income gains were less common in the 1990's than in the 1980's.

One measure of economic well-being is the income-to-poverty ratio—called the income ratio here—that is, the ratio of a person's annual family income to the family's poverty threshold. Figure 1 describes Americans by whether their income ratios rose or dropped significantly (5 percent or more) or remained about the same (moved less than 5 percent) from one year to the next. Data are shown for six two-year periods.

The proportion of persons whose income ratios rose from one year to the next was smaller in the 1990's than in the 1980's, reaching its minimum during the 1990-1991 recession. Conversely, the percentage of people who experienced declines in their income ratios from one year to the next grew larger from the last decade to the present one.

Changes in personal and family circumstances can affect economic well-being.

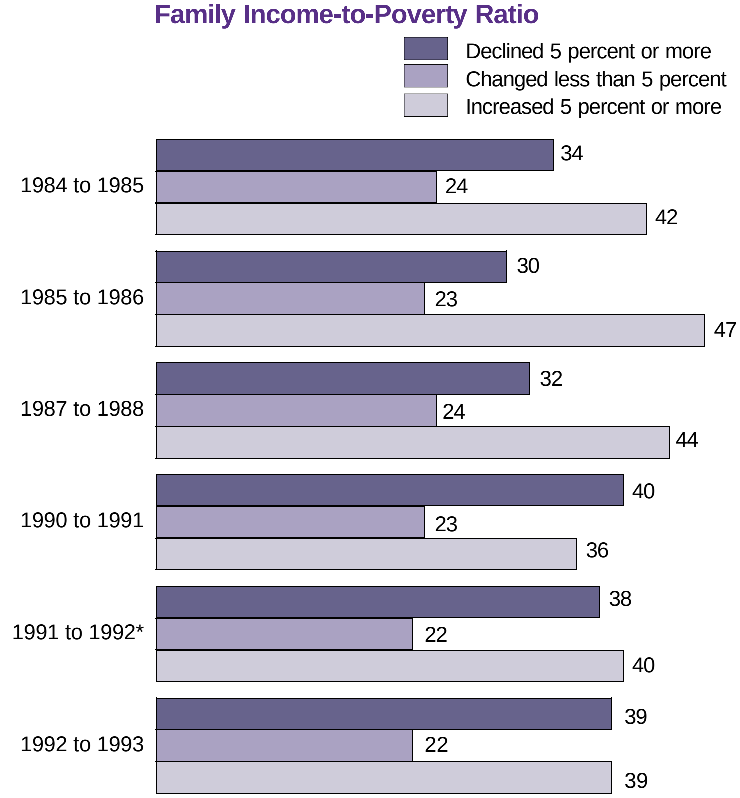
Even though summary measures, such as median income, do not change much in real terms from one year to the next, income ratios do shift for most Americans.

Figure 1 demonstrates that, from one year to the next, about one-fourth of all Americans had stable income ratios (that is, ratios that change less than 5 percent from year to year). In other words, the large majority (about three-fourths) are subject to considerable income changes from one year to the next, regardless of the stage of the business cycle. Over the course of a lifetime, the average American will experience a number of these shifts.

The state of the economy is an important factor in determining which way these fluctuations go, but it is not the only factor. Changes in personal circumstances also play a significant role. Table 1 shows people had an even (50-50) chance or better of experiencing an income-ratio rise (of 5 percent or more) from one year to the next if, over the course of two years:

- They began to work year-round, full-time;

Figure 1.
Percent Distribution of Persons by the Year-to-Year Percentage Change in Their Family Income-to-Poverty Ratio



* Revised
Note: Longitudinal data are not available for 1986-87, 1988-89, and 1989-90.
Source: U.S. Bureau of the Census, Survey of Income and Program Participation

U.S. Department of Commerce
Economics and Statistics Administration

- The number of workers in their household increased;
- They married or otherwise became part of a married-couple family; or
- The number of adults in their household increased or the number of children dropped.

Conversely, most people saw their income ratios decline significantly when they ceased to:

- Be married; or
- Work year-round, full-time.

And where one stands on the income ladder can influence changes too.

The lower one's current annual income is, the more likely it will rise the following year, and the less likely it will fall. For instance, Table 1 also shows that among those whose 1992 family income was below the poverty level (i.e., an income-to-poverty ratio of less than 1.00), 51 percent saw their income ratios rise 5 percent or more the following year, while just 29 percent experienced drops. On the other hand, among those at the top of the ladder (families with incomes four or more times the 1992 poverty level), 47 percent experienced declines, while only 30 percent posted gains.

Changes in income sources can serve as barometers of changes in economic well-being. Table 2 shows the mere appearance or disappearance of a particular income source can often forecast an improvement or a decline in economic well-being. For instance:

- The large majority (72 percent) of persons who lived in households where someone received earnings during 1993, but no one did the previous year, saw their income ratios rise significantly from 1992 to 1993. On the other hand, a similarly high proportion (73 percent) in households with earnings during 1992, but not the next year, posted declines.
- Households in which someone received unemployment benefits during 1993, but no one did in 1992, were more likely to experience an income-ratio decline in 1993 (52 percent) than those that received benefits in 1992, but not in 1993 (37 percent).
- Two groups of people—Social Security (and railroad retirement income) recipients and those with pensions and private dis-

Table 1.
Percent Distribution of Persons by Percentage Change in Their Income-to-Poverty Ratios and Selected Characteristics: 1992 to 1993

Characteristic	Total (thousands)	Declined 5 percent or more	Changed less than 5 percent	Increased 5 percent or more
All persons	246,176	39.4	21.9	38.7
WORK EXPERIENCE (Persons 18 and over)				
Year-round, full-time in 1992 to not year-round, full-time in 1993	10,028	60.3	14.1	25.6
Not year-round, full-time in 1992 to year-round, full-time in 1993	11,311	24.7	13.7	61.6
NUMBER OF WORKERS IN HOUSEHOLD				
Fewer workers in 1993 than 1992	27,628	68.7	10.2	21.1
More workers in 1993 than 1992	26,306	20.2	12.3	67.5
MARITAL STATUS (Persons 18 and over)				
From married in 1992 to other in 1993	2,474	65.1	5.9	29.0
From other marital status in 1992 to married in 1993	3,392	29.8	7.3	62.9
FAMILY STATUS				
From married-couple family in 1992 to other family type in 1993	3,422	75.5	5.8	18.8
From other family type in 1992 to married-couple family in 1993	2,589	24.3	4.8	70.8
HOUSEHOLD COMPOSITION				
No change in number of adults:				
Fewer children in 1993 than 1992	3,873	35.1	11.1	53.8
More children in 1993 than 1992	10,171	60.1	13.5	26.5
No change in number of children:				
Fewer adults in 1993 than 1992	12,371	58.9	10.3	30.8
More adults in 1993 than 1992	8,368	28.7	12.2	58.1
INCOME-TO-POVERTY RATIO IN 1992				
Less than 1.00	29,986	29.3	19.8	50.9
1.00 to 1.99	52,003	36.2	19.7	44.1
2.00 to 3.99	91,634	38.5	22.7	38.8
4.00 or more	73,553	46.8	23.4	29.8

ability benefits—have similar patterns in their income ratios over time. Persons who saw those sources appear the second year were less likely to experience income ratio drops than those who saw those sources disappear the second year.

- Those starting to receive means-tested benefits during a year were more likely to have experienced income ratio declines than increases. In contrast, people receiving means-tested benefits in the previous year but not the current year were more likely to have income ratio gains than declines. This relationship also held true for two individual programs: food stamps and Medicaid.

Economic well-being was about the same in 1993 as in 1992.

From 1992 to 1993, increases in economic well-being were about as frequent as declines (about 39 percent for each). Overall, the percentage of persons living in households where someone had earnings dipped slightly between 1992 and 1993, from 86 percent to 85 percent (see Figure 2). In contrast, the percentage in households where someone received unemployment benefits at some time during the year remained the same—13 percent in both years.

The share of the population residing in households that participated in means-tested programs at some point during the year stayed about the same—22 percent in 1992 compared with 23 percent in 1993. Participation rates also

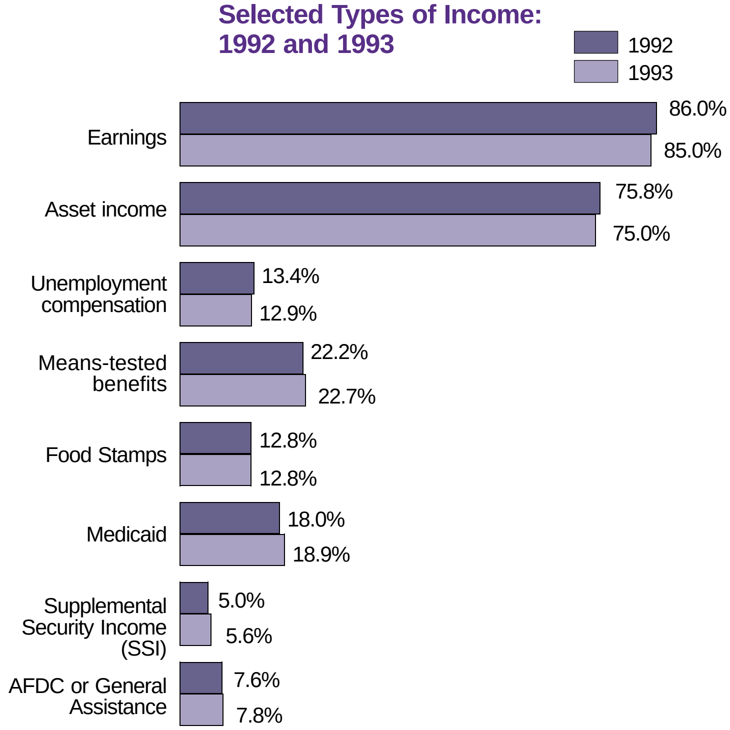
Table 2.
Percent Distribution of Persons by Percentage Change in Their Income-to-Poverty Ratios and Changes in Their Receipt of Selected Types of Income

Income Source	Total (thousands)	Declined 5 percent or more	Changed less than 5 percent	Increased 5 percent or more
HOUSEHOLD EARNINGS				
Earnings in 1993 but not in 1992	3,314	14.6	13.4	72.0
Earnings in 1992 but not 1993	5,786	73.3	9.5	17.2
HOUSEHOLD ASSET INCOME				
Income from assets in 1993 but not 1992	8,396	30.5	16.9	52.6
Income from assets in 1992 but not 1993	10,421	50.9	16.1	33.1
UNEMPLOYMENT COMPENSATION OR BENEFITS				
Household compensated in 1993 but not 1992	15,156	51.9	13.9	34.2
Household compensated in 1992 but not 1993	16,511	37.0	13.4	49.6
SOCIAL SECURITY (AND RAILROAD RETIREMENT)				
Household received benefits in 1993 but not 1992	5,113	38.3	16.2	45.5
Household received benefits in 1992 but not 1993	3,015	51.8	7.3	40.8
PENSION AND PRIVATE DISABILITY INCOME[1]				
Household received benefits in 1993 but not 1992	8,683	42.8	15.0	42.2
Household received benefits in 1992 but not 1993	7,684	49.6	13.9	36.6
MEAN-TESTED BENEFITS[2]				
Household received benefits in 1993 but not 1992	10,409	52.0	14.3	33.8
Household received benefits in 1992 but not 1993	9,070	36.1	13.1	50.7
FOOD STAMPS				
Household received stamps in 1993 but not 1992	5,568	58.0	14.1	27.9
Household received stamps in 1992 but not 1993	5,568	28.8	15.7	55.4
MEDICAID				
Household covered in 1993 but not 1992	9,278	51.8	13.5	34.7
Household covered in 1992 but not 1993	6,977	34.0	13.2	52.7
AFDC AND GENERAL ASSISTANCE				
Household received aid in 1993 but not 1992	4,223	58.9	10.2	30.9
Household received aid in 1992 but not 1993	3,710	31.8	11.5	56.7
SUPPLEMENTAL SECURITY INCOME (SSI)				
Household received aid in 1993 but not 1992	3,002	41.0	13.5	45.5
Household received aid in 1992 but not 1993	1,609	50.6	11.7	37.7

[1] Pension and private disability income includes retirement and life insurance payments, pensions, annuities, and compensation for death, disability, and illness. Not included are Social Security and Railroad Retirement pay.

[2] Means-tested benefits include, Aid to Families With Dependent Children (AFDC), General Assistance, Supplemental Security Income (SSI), Medicaid, food stamps, and Federal or State rent assistance.

Figure 2.
Persons Receiving Selected Types of Income: 1992 and 1993



Source: U.S. Bureau of the Census, Survey of Income and Program Participation.

remained statistically unchanged for some of these individual assistance programs, such as Aid to Families with Dependent Children (AFDC), General Assistance, and food stamps. However, there were small but statistically significant increases in the number of persons in households covered by Medicaid and in those receiving Supplemental Security Income.

For more information -

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Source and Accuracy of Estimates

This report is one of a series that presents information of current policy interest. All statistics are subject to sampling variability, as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytic statements have been tested and meet statistical standards.

However, because of methodological differences, use caution when comparing these data with data from other sources. For information on the source of data and the accuracy of estimates, including the use and computation of standard errors, see the “Source and Accuracy Statement for the 1992 SIPP Longitudinal Panel File.”