Poverty, Hardship and Families:
How Many People Are Poor, and What Does Being Poor in America Really Mean?

A briefing paper prepared for the Council on Contemporary Families

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This briefing paper describes three common misperceptions about poverty and families, and clarifies new information about recent poverty trends.

Misconception #1. Official poverty numbers inflate the problem of poverty

In 2010, the official poverty rate in the U.S. was 15.1%, representing 46.2 million people - the largest number ever recorded and still rising despite the economy's return to growth after the recession. This is 8.9 million more poor people than in 2007, and 14.6 more than in 2000.

Critics argue that official figures greatly overestimate poverty in America because the government's traditional calculation of poverty status does not take into account non-cash benefits such as food stamps, tax benefits such as the Earned Income Tax Credit (EITC), or income contributions from non-"family" members such as cohabiting partners. So some families that are officially income-poor actually receive other support that allows them to meet their basic needs.

On the other hand, many families whose income is higher than the official poverty cut-off face expenses such as taxes and medical costs that reduce their household take-home pay below the poverty level.

To compensate for the areas where the official measure either under- or over-estimates poverty, the Census Bureau recently released a Supplemental Poverty Measure that takes into account many more sources of tax and benefit support - but also considers other burdens, including taxes, work expenses and out-of-pocket medical costs. The new measure also updates the calculation of need (which was historically indexed only to food needs) so that it now includes the price of food, clothing, shelter and utilities (adjusted for each region). The result is an indicator of poverty that better reflects Americans' actual ability to meet their needs.

Contrary to claims that the official poverty rate overstates the problem of poverty, the new poverty measure reveals a slightly *higher* overall poverty rate - 16 percent in 2010, compared to 15.1 percent by the other method of calculation. However, it also leads to a significant adjustment in poverty rates by age. The new measure yields a poverty rate about 4 points *lower* for children than the official measure (18.2% versus 22.5%). But it shows a poverty rate for seniors almost 7 points *higher* than the official formula yields (15.9% versus 9%). That is mostly because many families of poor children have the benefit of the EITC and food stamps (each of which pulled about 2% of children above the poverty line), while an additional 7% of people age 65+ are below poverty because of out-of-pocket medical costs.

Rather than merely defining an arbitrary line between poor and non-poor, therefore, the new measure helps us see what most affects the ability of people living on the margin to meet their basic needs. Some policies and programs are genuinely helping poor families with children (such as the EITC, which provides an annual refund to low-income workers with children; or food stamps), and some groups are disproportionately harmed by runaway healthcare costs (especially low-income seniors).

Misconception #2. Poverty in America is purely a relative condition that does not involve serious deprivation

According to the Heritage Foundation, U.S. living standards are so high that even the poor live well, no matter how you measure poverty. The Foundation made headlines this year by reporting that nearly all poor households have refrigerators, televisions, and microwaves. Although they may be struggling, the report's authors said, "in most cases, they are struggling to pay for air conditioning and cable TV while putting food on the table."

It is true that living standards in the U.S. today are higher than in earlier eras. Some advances in technology have reduced the cost of products that were once prohibitively expensive (such as televisions). Imports from poor countries have made some consumer goods (such as clothing) much cheaper. And poverty is far less widespread in the United States than in most Latin American, African, or Eastern European countries.

Compared with its peers, however, the U.S. does not fare well. Adjusting for taxes and government transfers, the U.S. has a higher poverty rate than all but one of the Western European, Nordic, and Anglophone countries. In fact, the U.S. poverty rate for children is more than *twice* as high as that for 8 of those countries.

Furthermore, poor people in America do experience real deprivation. As of 2010:

- More than one-in-five children (22%) lived in a household that was "food insecure," meaning that "At times [they were] unable to acquire adequate food for active, healthy living for all household members because they had insufficient money and other resources for food."
- More than one-in-five adults (22%) ages 18-64 below the poverty line could not afford prescription medicines they needed at some time during the year. Even among those with incomes between 100% and 200% of poverty, nearly one-in-five couldn't afford necessary medicine at some point.
- More than half of children (52%) below the official poverty line experienced one of four "major hardships" during the year (very low food security, overcrowded housing, late rent or mortgage, or forgone doctor or hospital visit).
- During periods of cold weather, poor families and elderly individuals in cold areas of the country are more likely to experience food insecurity, as they are forced to choose between

spending on heat and spending on food. These choices may become more frequent if President Obama's proposal to cut the Low Income Home Energy Assistance Program passes.

Misconception #3. Poverty is a static condition

We use statistics to capture the level of poverty at a moment in time, or to track a trend over time. But as a lived experience - especially one within families - poverty is a dynamic condition that unfolds over a lifetime, with time spent above and below the poverty line. The new measure of poverty reveals that there are almost twice as many "near poor" individuals as previously thought. In addition to the 16% of the population whose resources are insufficient to meet their needs, another 16.7% - 51 million people - have incomes less than 50 % above the poverty line, allowing them to meet only between 100% and 150% of their most basic needs without providing a cushion for emergencies.

Families with such low annual incomes are especially vulnerable to fluctuations that result from job changes, unemployment, public assistance and variations in family composition or needs. Here are several examples of the insecurity that prevails among low-income families:

- Although the official poverty measure identified 32 million poor individuals in 2007, many more - a total of 57 million - were poor for at least two months at some point during that year.

- Further, millions of families move in and out of "working poor" status. A study from the mid-2000s found that, in a given month, 9% of families with children were officially poor even though at least one member was employed, as were 17% of single-mother families. But over a three-year period, 25% of families with children - and 43% of single-mother families - experienced at least one spell of below-poverty income.

Thus, to use the refrigerator example, the issue is not whether one "has" a refrigerator in the family home as much as how often - if ever - the electricity for that refrigerator is cut off for failure to pay the utility bill.

Yes, poor and near-poor families may own microwave ovens, televisions or other non-necessities. But a household is not a perfect economic system, in which a responsible parent can anticipate next month's medical costs in time to sell a child's video game or forego a new pair of sneakers. The very nature of uncertainty and insecurity is that such juggling is practically - and emotionally - difficult. And even those poor families that do manage to maintain their food supplies, buy their prescription drugs, and heat their homes suffer the stress and anxiety associated with living so close to falling short.

These stresses have long-term effects . The Families and Work Institute's ongoing *National Study of the Changing Workforce* shows that economic insecurity is the number one predictor of overall health problems, depression, sleep difficulties, and stress among employed workers. Children who experience crowded housing conditions or multiple residential moves are more likely to display health and developmental problems. Experiencing a parent's unemployment increases a child's chance of being held back in school by 15 percent.

Conclusion

Poverty in the U.S. grew substantially more common during the last decade, with hardships increasing for millions of people and their families, especially with regard to food, medical care and housing. And the Great Recession at the end of the 2000s - with high unemployment and housing foreclosures - increased the level of insecurity for millions of people who were not living below the poverty line. Although most Americans do not share the level of deprivation seen at the bottom of the income scale, the broad blanket of economic anxiety that has spread across the population should spur us to think more holistically about the impact of instability and insecurity on the social, emotional and economic well-being of the population as a whole.

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