Poverty
What is Poverty?

lack of or scarcity of a certain amount of material possessions or money

- commonly includes access to: food, water, sanitation, clothing, shelter, health care, education

- other dimensions: life expectancy, physical security, lack of opportunity to better one’s life

- access to goods and services commonly taken for granted
How is poverty defined?

• Thresholds were originally developed by Mollie Orshansky of the SSA in 1963-64
• She based poverty on a USDA-determined “economy” food plan, which was the least costly of a “nutritionally adequate diet.”
• This food plan was considered a “temporary or emergency” diet.
• Based on hers and other research at the time, it was generally concluded that families of three or more persons spent roughly $\frac{1}{3}$ of their income on food
Hence

- The poverty level is the cost of the economy food bundle times three. That’s all it is.
- That was used for a single person. For two persons the multiplier is 3.7.
- They also had a differential rate for farm poor. Their poverty rate was 70% of the nonfarm rate.
- Her calculations were implemented during the War on Poverty, beginning in 1965
Since then,

- Several attempts to develop or revise poverty measures
- Levels are indexed to the consumer price index instead of the economy food plan (1969)
- Reduced the farm poverty differential to 85% (and eventually eliminated it)
- Still use a before-tax definition of income
- Discussions as to whether to count in-kind or cash like assistance when calculating poverty, especially during the 1980s
Summary

• Poverty for families and individuals results when there is not enough income to meet basic needs

• *Income* is of primary importance when determining poverty status in the ACS, other estimates programs, as well as determining eligibility for assistance programs

• Income is compared to standardized $$ amounts, *poverty thresholds or guidelines*, to see if it is below what is considered an amount that is essential for basic needs or if the family or person can qualify for assistance programs
Income Types in the American Communities Survey Questionnaire

- wages, salaries, commissions, bonuses, tips from all jobs; *before deductions* for taxes, etc.; i.e. *pretax* income
- self-employment *net* income from business; nonfarm, farm, proprietorships, partnerships
- interest, dividends, net rental, royalty, estate or trust income
- Social Security or Railroad Retirement
- Supplemental Security Income (SSI)
- Public assistance or welfare payments from state or local sources
- Retirement, survivor, or disability pensions (not Social Security)
- Other income; veterans payments, unemployment, child support, alimony
What is *NOT* included in ACS income

In the ACS income is made up of money or cash received by individuals; however, income does *not* include many things:

- Does *NOT* include “in-kind” benefits (SNAP/food stamps); housing subsidy support; imputed income or benefits; or benefits paid to organizations on behalf of individuals.
- Does *NOT* include inheritances.
- Does *NOT* include capital gains from sales home, stocks, etc.
- Does *NOT* include value of assets owned.
- How the ACS counts income; *other programs may differ*.
Families Income Distribution, Iowa, 5-year estimates, 2009 - 2013

<table>
<thead>
<tr>
<th>INCOME AND BENEFITS (IN 2013 INFLATION-ADJUSTED DOLLARS)</th>
<th>795,274</th>
<th>+/-3,394</th>
<th>795,274</th>
<th>(X)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $10,000</td>
<td>27,086</td>
<td>+/-1,073</td>
<td>3.4%</td>
<td>+/-0.1</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>19,322</td>
<td>+/-850</td>
<td>2.4%</td>
<td>+/-0.1</td>
</tr>
<tr>
<td>$15,000 to $24,999</td>
<td>53,771</td>
<td>+/-1,298</td>
<td>6.8%</td>
<td>+/-0.2</td>
</tr>
<tr>
<td>$25,000 to $34,999</td>
<td>69,339</td>
<td>+/-1,734</td>
<td>8.7%</td>
<td>+/-0.2</td>
</tr>
<tr>
<td>$35,000 to $49,999</td>
<td>110,944</td>
<td>+/-1,922</td>
<td>14.0%</td>
<td>+/-0.2</td>
</tr>
<tr>
<td>$50,000 to $74,999</td>
<td>179,450</td>
<td>+/-2,351</td>
<td>22.6%</td>
<td>+/-0.3</td>
</tr>
<tr>
<td>$75,000 to $99,999</td>
<td>137,314</td>
<td>+/-2,018</td>
<td>17.3%</td>
<td>+/-0.2</td>
</tr>
<tr>
<td>$100,000 to $149,999</td>
<td>130,204</td>
<td>+/-1,883</td>
<td>16.4%</td>
<td>+/-0.2</td>
</tr>
<tr>
<td>$150,000 to $199,999</td>
<td>37,833</td>
<td>+/-1,082</td>
<td>4.8%</td>
<td>+/-0.1</td>
</tr>
<tr>
<td>$200,000 or more</td>
<td>30,011</td>
<td>+/-1,078</td>
<td>3.8%</td>
<td>+/-0.1</td>
</tr>
<tr>
<td>Median family income (dollars)</td>
<td>65,802</td>
<td>+/-367</td>
<td>(X)</td>
<td></td>
</tr>
<tr>
<td>Mean family income (dollars)</td>
<td>79,574</td>
<td>+/-518</td>
<td>(X)</td>
<td>(X)</td>
</tr>
</tbody>
</table>
Poverty Thresholds

<table>
<thead>
<tr>
<th>Size of family unit</th>
<th>Weighted average thresholds</th>
<th>Related children under 18 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>None</td>
<td>One</td>
</tr>
<tr>
<td>One person (unrelated individual)</td>
<td>12,071</td>
<td>12,316</td>
</tr>
<tr>
<td>Under 65 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 years and over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two people</td>
<td>15,379</td>
<td>15,853</td>
</tr>
<tr>
<td>Householder under 65 years</td>
<td>15,934</td>
<td>14,326</td>
</tr>
<tr>
<td>Householder 65 years and over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three people</td>
<td>18,850</td>
<td>18,518</td>
</tr>
<tr>
<td>Four people</td>
<td>24,230</td>
<td>24,418</td>
</tr>
<tr>
<td>Five people</td>
<td>28,695</td>
<td>29,447</td>
</tr>
<tr>
<td>Six people</td>
<td>32,473</td>
<td>33,869</td>
</tr>
<tr>
<td>Seven people</td>
<td>36,927</td>
<td>38,971</td>
</tr>
<tr>
<td>Eight people</td>
<td>40,968</td>
<td>43,586</td>
</tr>
<tr>
<td>Nine people or more</td>
<td>49,021</td>
<td>52,430</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau.
Poverty rates 1959 to 2014
Poverty by race or ethnic group

Figure 1: U.S. Poverty Rates by Race or Ethnicity: 1959–2012

Source: U.S. Census Bureau, Historical Poverty Table 2; 2012 Census Report.
Note: Black poverty rate data from 1960 to 1965 is not available. The line shown connects the 1959 rate of 55.1 percent to the 1966 rate of 41.8 percent and is included to represent the trend but not to imply specific numerical data.
Poverty by level of urbanization

Figure 2: U.S. Poverty Rate by Residence Area Type: 1967–2012

Persistent Poverty

Figure 24. Percent of Persons Below Poverty, American Community Survey, 2009 - 2013 5-year estimates.

IA: 12.4%
US: 15.4%

Legend:
- Micropolitan city
- Metropolitan city

Color Key:
- Light Blue: 6.4% - 8.9%
- Light Green: 9.0% - 11.9%
- Orange: 12.0% - 14.9%
- Yellow: 15.0% - 21.2%
From the EPI, we know that a large fraction of the poverty population works.
Comparing unemployment levels with job opening levels
U.S. unemployment insurance (UI) recipiency rate, 1977–2014

Note: The UI recipiency rate is the share of unemployed workers receiving benefits from regular state programs, and is calculated by dividing the number of weeks compensated by the total number of unemployed persons. It is presented as a 12-month moving average. Shaded bars denote recessions.

Source: EPI analysis of Department of Labor (DOL) administrative data and Current Population Survey basic monthly data
Median usual weekly earnings of full-time wage and salary workers, by sex, marital status, and presence and age of own children under 18 years old, 2012 annual averages

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, married, spouse present</td>
<td>$981</td>
<td>$751</td>
</tr>
<tr>
<td>With children 6 to 17 years, none younger</td>
<td>1035</td>
<td>746</td>
</tr>
<tr>
<td>With children under 6 years</td>
<td>935</td>
<td>765</td>
</tr>
<tr>
<td>With no children under 18 years</td>
<td>973</td>
<td>748</td>
</tr>
<tr>
<td>Total, other marital statuses(1)</td>
<td>685</td>
<td>625</td>
</tr>
<tr>
<td>With children 6 to 17 years, none younger</td>
<td>790</td>
<td>614</td>
</tr>
<tr>
<td>With children under 6 years (more than 1/3 less)</td>
<td>595</td>
<td>490</td>
</tr>
<tr>
<td>With no children under 18 years</td>
<td>687</td>
<td>654</td>
</tr>
</tbody>
</table>
Programs to aid the poor

- Social Security (elderly, survivors, and disabled)
- Medicare
- Supplemental Security Income
- TANF
- Medicaid (plus child health programs)
- SNAP
- Earned Income Tax Credit
- Unemployment
- Workers compensation
- Veterans assistance
- Higher education subsidies
- WIC
- Housing
- Energy
- Transportation
- Job training
- Daycare
U.S. Transfer Payments as Percentages of Total Personal Income, 1960 - 2014

- All Other
- Veterans
- Unemployment
- Income Maintenance (all other medical)
- Primarily Elderly (includes Medicare)
Why are people poor?

- Cultural traps (Mississippi Delta, Appalachia, Indian Reservations, inner city enclaves)
- Racism and other structural or institutional impediments to opportunity and achievement
- Education level
- Presence of children
- Family disruption
- Unemployment
- Other impediments that prevent working
- Low wages
- Choice?
You know that thing where people who think they are thoughtful think that old folks are living longer and we need to up the retirement age to make Social Security solvent?

**Inequality in life expectancy widens for men**

Wealthier men can expect to live longer than their parents did, while life expectancies for the poor have not changed.

- **88.8** Richest
- **87.8** Upper middle
- **83.4** Middle
- **78.3** Lower middle
- **76.1** Poorest

Life expectancy for 50-year-olds in a given year, by quintile of income over the previous 10 years.

Source: National Academies of Science, Engineering and Medicine