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FACT SHEET

Poverty in the United States

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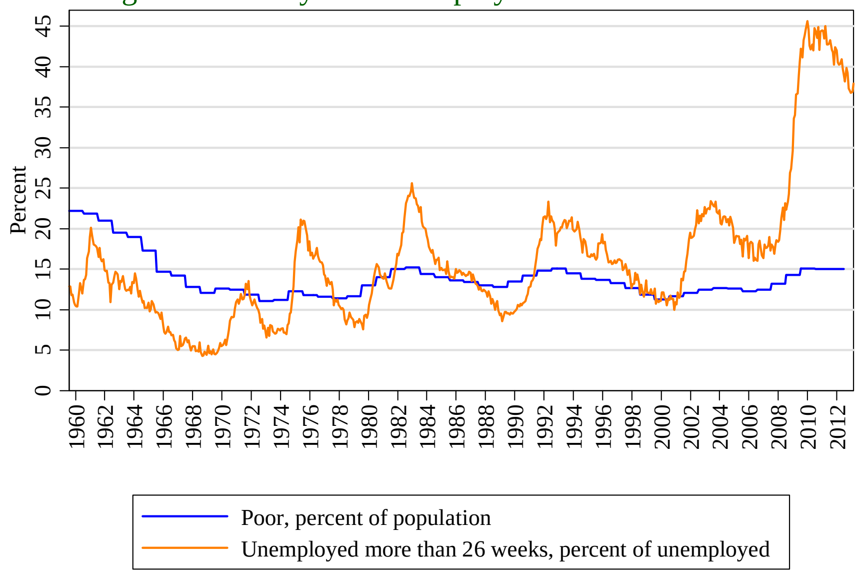
The U.S. poverty rate remained at historic highs for the third year running in 2012—unchanged from 2011 at 15 percent, with 46.5 million people poor.[1] The poverty rate was roughly as high as it has been in any year since 1965 (the last year poverty was significantly above 15 percent), but it has been lower than one would expect from looking at the record high rates of long-term unemployment following the 2007 Great Recession (see figure 1). Government policies have kept enough Americans out of poverty to forestall the dire poverty rates of the mid-1960s during the recession, but as the policies are rolled back during the recovery, poverty remains abnormally high.

Figure 1. Poverty and Unemployment Duration 1960-2013



Sources: Federal Reserve Economic Data repository, Census P-60 reports, and author's tabulations of Current Population Survey data.

Unemployment benefits, which were extended during the recession (Lindner and Nichols 2012), lifted 1.7 million people out of poverty in 2012, down from 2.3 million in 2011 and 3.2 million in 2010. These expansions are expiring, and benefits are being cut back. Unemployment benefits also do not ensure that all unemployed workers will avoid poverty, partly because many low-income workers aren't eligible for benefits.[2] Plus, as benefits run out, some higher-wage workers compete in lower-wage job markets, depressing the prospects of lower-wage unemployed workers.

Employment is the surest means to avoid poverty, if one can secure full-time work and keep it all year. Only 2.9 percent of full-time full-year workers were poor in 2012, and 2.8 percent were poor in 2011. Those who worked less than full time year-round had poverty of 16.6 percent in 2012, up from 16.3 percent in 2011.

Annual official poverty estimates based on the Current Population Survey (CPS) have remained essentially unchanged from 2010 through 2012, as unemployment rates have fallen. Estimates based on the Survey of Income and Program Participation (SIPP) show monthly poverty rates increasing by a tenth of a percentage point per month in 2009, falling slightly during 2010, then jumping back up to their previous plateau in 2011.

The monthly data indicate poverty may remain stubbornly high in 2013, even as the percentage of unemployed workers falls. Part of the problem is that too many unemployed workers have been out of work for long periods, and the consequences of long-term unemployment are long-lasting (Nichols, Mitchell, and Lindner 2013). When unemployment is prolonged, many workers exhaust unemployment benefits (Vroman 2010); the regular benefit lasts for 26 weeks, and federal extensions are phasing out at the end of the year.

The duration of unemployment fell throughout 2011 and 2012, but 38 percent of unemployed workers had been out of work more than 26 weeks in August 2013, and many workers had left the labor force or held back from entering. In fact, much of the decline in the labor force stemmed from lower entry and reentry rather than exits by discouraged workers (Nichols and Lindner 2013). That is, workers left the labor force after becoming unemployed at rates similar to the pre-recession period but were deterred from entering the labor force by their weak job prospects during the recovery.

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[1] The 2012 poverty rate of 15.0 percent does not differ statistically from the 15.0 percent rate in 2011 but is higher than 2008 and 2009 levels (14.3 and 13.2 percent, respectively). See DeNavas-Walt, Proctor, and Smith (2013) for details on Census estimates. A single person under age 65 with income under $11,945, or a couple with two children and income under $23,283, was poor in 2012.

[2] See Nichols and Zedlewski (2011), Zedlewski and Nichols (2012), and Nichols and Simms (2012).

One fact that can temper concerns about ongoing high poverty levels is that noncash assistance isn't counted in income when calculating the official poverty rate. Food assistance including the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) reaches nearly one in seven people, and lower tax rates help families make ends meet in the short run. But SNAP expansions end in November 2013, and the payroll tax holiday ended in January 2013.

Were the federal earned income tax credit counted as income, 5.7 million fewer people would have been counted as poor in 2011, lowering the poverty rate nearly 2 percentage points. Were SNAP benefits included, 4 million fewer people would be counted as poor, bringing the poverty rate down from 15 to 13.7 percent.

For most groups, the percentage of people in poverty did not change significantly, remaining at high levels throughout the recovery. Children have the highest poverty rates of any age group. Child poverty has remained high throughout the recovery, at 21.8 percent in 2012, no different statistically from 21.9 percent in 2011 and 22.0 percent in 2010. Child poverty is especially high among black children, at 38.4 percent in 2012, up from 37.4 percent in 2011. Child poverty has closely tracked changes in the job market over the past two decades, instead of tracking changes in family structure as in previous decades (Nichols 2013).

Poverty continues to disproportionately affect minorities and single-parent families. The poverty rate among blacks was 27.2 percent in 2012, compared to 27.6 percent in 2011 and 27.4 percent in 2010. Poverty was essentially unchanged among non-Hispanic whites at 9.7 percent in 2012, compared with 9.8 percent in 2011 and 9.9 percent in 2010. Hispanic poverty was 25.6 percent in 2012, 25.3 percent in 2011, and 26.5 percent in 2010. Rates for individuals in unmarried female-headed families remained high at 30.9 percent, compared with 9.7 percent for individuals in other types of families.

Poverty also remains unequally distributed geographically; the Great Recession hit some places and some industries harder, and recovery has proceeded at different rates. Poverty remained a steady 14 percent in midwestern states across 2010 and 2011 but dipped slightly in 2012 to 13.3 percent. Poverty was at 13.6 percent in the Northeast during 2012, after rising from 12.9 to 13.1 percent between 2010 and 2011. Poverty rates in the South fell from 16.8 to 16.0 percent between 2010 and 2011, then rose to 16.5 percent in 2012. Poverty rates in the West rose from 15.3 to 15.8 percent between 2010 and 2011, then fell back to 15.1 percent in 2012, the only statistically significant year-over-year change in rates by region.

Poverty remains highest in urban areas, at 20 percent in both 2011 and 2012, up from 19.8 percent in 2010 and 18.7 percent in 2009. Poverty in suburban areas fell below 11 percent in 2012, after falling from 11.9 to 11.3 percent between 2010 and 2011. Outside metropolitan areas, poverty rose to 17.6 percent in 2012, up from 17 percent in 2011 and 16.5 percent in 2010.

The rate of deep poverty (incomes less than half the poverty level, or $11,642 for a couple with two children) was 6.6 percent in 2012, up from 6.3 percent in 2009. Deep poverty is more prevalent among non-Hispanic blacks (12.6 percent) and Hispanics (10.1 percent) than among non-Hispanic whites (4.3 percent), and higher among individuals in unmarried female-headed households (14.7 percent) than among individuals in households with a married head (2.6 percent).

While the unemployment rate has been falling, poverty remains high, and the consequences of poverty likely will worsen over time as individuals exhaust their resources and support systems. Initiatives to promote job creation are laudable, but cash-strapped families dragged down by the labor market and housing market collapses will need more direct help. Food assistance, unemployment benefits, and tax relief are important short-run solutions that are scaling back this year, though they are still desperately needed. More help should be targeted to protect children from the long-run economic scarring due to the Great Recession. But fiscal pressures will likely mean cuts to the safety net, not expansions, putting families at greater risk.

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