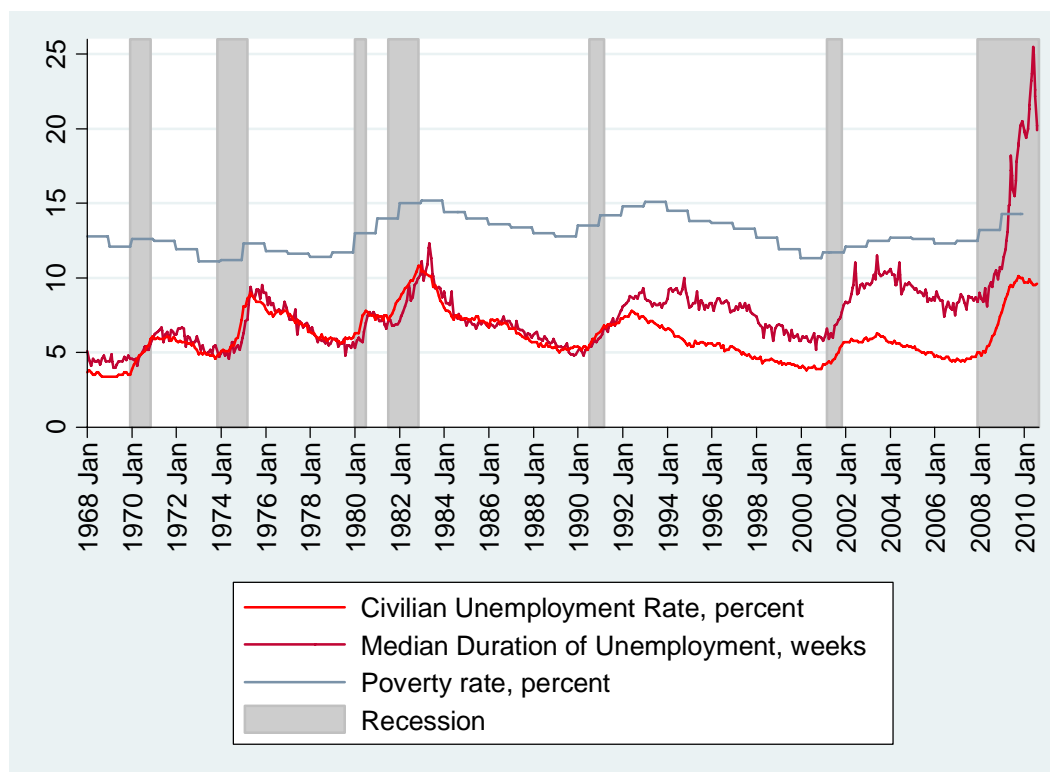


Poverty in the United States, September 16, 2010

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The U.S. Census Bureau has announced that the poverty rate jumped to 14.3 percent in 2009, up from 13.2 percent in 2008. This 15-year high still understates the dire straits of many Americans today. The current recession began in December 2007, and the unemployment rate doubled (from 5 to 10 percent) between December 2007 and December 2009. The Census poverty estimates are based on family income received¹ during the 2009 calendar year. Since the unemployment rate rose during the year, the 2009 poverty rate understates deprivation at the end of the year.



Source: Federal Reserve Economic Data (FRED) repository, Census P-60 reports (the 2010 report is at <http://www.census.gov/prod/2010pubs/p60-238.pdf>; for past years, see, for example, <http://www.census.gov/prod/2009pubs/p60-236.pdf> and <http://www.census.gov/prod/2008pubs/p60-235.pdf>).

Historical experience shows that unemployment and poverty rates keep rising after a recession ends. This was more apparent in the recessions of 1990 and 2001 than in those of 1973, 1980, and 1981. So poverty rates are likely to continue to rise in 2010, even though by some measures the economy and the job market are beginning to strengthen.

Even more worrisome, many workers are exhausting their temporary benefits, most prominently those who reach the 26-week limit on regular unemployment benefits, or the 99-week limit on extended unemployment benefits (see Vroman 2010). Between August 2009 and August 2010, the proportion of unemployed persons who had gone more than 26 weeks unemployed jumped from 34 to 43 percent.² The median duration of unemployment peaked in June 2010 at 25.5 weeks.

Unfortunately, unemployment benefits do not ensure that unemployed workers will avoid poverty, partly because many low-income workers aren't eligible for benefits. Also, some better-off workers whose benefits are expiring may compete in lower-wage job markets, further depressing the prospects of the lower-wage

¹ The question about annual family income is asked on the U.S. Census Bureau's Current Population Survey, Annual Social and Economic Supplement, in February to April of the following year. See <http://www.census.gov/apssd/techdoc/cps/cpsmar09.pdf>.

² See, for example, "Table A-12. Unemployed Persons by Duration of Unemployment," <http://www.bls.gov/news.release/empsit.t12.htm>.

unemployed workers. Still, the availability of unemployment insurance did mitigate the impact of the recession somewhat. In 2009, 43.6 million people were in poverty, up from 39.8 million in 2008; if unemployment insurance benefits were not counted in income, an additional 3.3 million people would have been counted as poor.

One fact that can temper our concern is that much of the assistance families receive isn't counted in official poverty rates. For example, the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps) caseloads skyrocketed during 2009, benefiting more than one in eight families. If SNAP benefits were counted as income, 3.6 million fewer people would be counted as poor during 2009.

Work is key to avoiding poverty, but poverty rose even among workers between 2008 and 2009. Among individuals 16 and older who worked at any point during 2009, the poverty rate was 6.9 percent, compared with 6.4 percent in 2008. The proportion of workers age 16 to 61 who worked full-time at least 50 weeks during the year dropped from 81 to 80 percent between 2008 and 2009.

Child poverty looms as the greatest concern given its documented long-term negative effects. Child poverty jumped from 19 to 20.7 percent in 2009. Black child poverty rates jumped from 34.7 to 35.7 percent, wiping out some of the gains from the strong job market of the 1990s. Harry Holzer (2007) indicates that a 1 percentage point increase in child poverty might cost the economy an extra \$28 billion a year in the future, partly because children who grow up poor earn less. And Ratcliffe and McKernan (2010) show that poverty's persistence in childhood is closely tied to later outcomes; those who are poor four or more years are less than half as likely to finish high school or to work consistently as adults.

Among adults, race and ethnicity remain strong predictors of poverty, as does family structure. Poverty rates among black (25.8 percent, up from 24.7 percent in 2008) and Hispanic (25.3 percent, up from 23.2 percent in 2008) individuals are much higher than for white non-Hispanic (9.4 percent, up from 8.6 percent in 2008) individuals. Individuals in unmarried female-headed households (29.9 percent poor, up from 28.7 percent in 2008) are much more likely to be poor than individuals in households with a married head (5.8 percent, up from 5.5 percent in 2008).

The rate of deep poverty (incomes less than half the poverty line) jumped from 5.7 percent in 2008 to 6.3 percent in 2009 overall. Deep poverty is more prevalent among black (11.9 percent) and Hispanic (10.4 percent) individuals than among white non-Hispanic individuals (4.1 percent), and among individuals in unmarried female-headed households (14 percent) than among individuals in households with a married head (3 percent). A couple with two children would have to have 2009 income below \$10,878 to be in deep poverty.

The geography of poverty has become more extreme too. Places where major industries are declining got hit hard by the current recession. Midwestern states saw poverty increase from 12.4 percent in 2008 to 13.3 percent in 2009. Poverty increased from 11.6 percent in 2008 to 12.2 percent in 2009 in the Northeast (the only regional increase not statistically different from zero), from 14.3 percent in 2008 to 15.7 percent in 2009 in the South, and from 13.5 percent in 2008 to 14.8 percent in 2009 in the West. Urban poverty rose from 17.7 percent in 2008 to 18.7 percent in 2009, and suburban poverty from 9.8 percent in 2008 to 11 percent in 2009. Outside of metropolitan areas, poverty rose from 15.1 percent in 2008 to 16.6 percent in 2009.

The consequences of the increasing poverty rate are likely to worsen over time as individuals exhaust their resources and support systems. Even if the job market picks up substantially in 2011, it will take longer for families to recover.

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