

Poverty in the United States, 2008

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Today, the U.S. Census Bureau announced that the U.S. poverty rate reached 13.2 percent in 2008. Even this significant increase from the 12.5 percent rate in 2007 surely understates the share of Americans struggling to make ends meet today in September 2009.

The Census poverty data are based on the incomes of individuals and families gathered over the past calendar year—in this case from January through December 2008. Although the U.S. economy was in a recession throughout 2008, monthly unemployment didn't pass 6 percent until August. (For all of 2008, the unemployment rate was 5.8 percent.) The economic picture darkened rapidly: the U.S. unemployment rate started 2009 at 7.6 percent and had reached 9.7 percent by August. The annual unemployment rate for 2009 will be near 9 percent. In the last 50 years, only once—between 1974 and 1975, when the rate moved from 5.6 to 8.5 percent—has the United States experienced anything close to this year's rapid rise. Then as now, rates this high bode ill for American families.

If historical experience is any guide, we can expect poverty to surge in the coming year. When unemployment rates jumped markedly during the mid-1970s, year-to-year poverty rates rose by 1.1 percentage points. When annual unemployment rates exceeded 9 percent, as they did in 1982 and 1983, poverty rates reached 15 percent. As bad as the numbers for 2008 are—more than one of every eight Americans are poor, an increase of 0.7 percentage points in just a year—poverty's toll on American families is even worse today. The 2009 statistics unveiled next year could show poverty still climbing and one in seven Americans below the poverty line.

A key to avoiding poverty is work, but even among workers age 16 and over, poverty rates grew between 2007 and 2008 as wages and hours slipped. For individuals who worked at all during the year, poverty rates grew from 5.7 to 6.4 percent. The number rose mainly because the share of all workers who could not work full-time, year-round rose from 31.5 to 34.3 percent, and the rise in poverty among such workers rose from 12.7 to 13.5 percent. For those who managed to work full-time for the full year, the poverty rate remained low at 2.6 percent, almost unchanged from 2007's 2.5 percent.

Beyond the overall increase in poverty between 2007 and 2008, the Census data show that child poverty increased from 18 to 19 percent. This 10-year high is still below the levels seen every year from 1981 to 1997. Poverty rates rose for white, non-Hispanic children (from 10.1 to 10.6 percent) and for Hispanic children (from 28.6 to 30.6 percent). Black child poverty remained virtually unchanged (34.7 percent in 2008 versus

34.5 percent in 2007), though the poverty rate for black children remains more than three times higher than the rate for white children.

Across family types, poverty rates remain markedly higher for unmarried female-headed families than for married-couple families (28.7 versus 5.5 percent in 2008). That said, the *rise* in poverty between 2007 and 2008 was significant for married-couple families but not for female-headed families.

While poverty rose, so did the share of individuals living near the poverty line and the share living in deep poverty. To be in deep poverty, a family of four must make do with an income of no more than \$11,000 a year. The share of deeply impoverished individuals grew from 5.2 to 5.7 percent between 2007 and 2008. The share of families living below 150 percent of the poverty line (that is, below about \$33,000 for a four-person family) grew from 21.6 to 22.6 percent.

Poverty's geography continues to change. Poverty increased significantly in the Midwest (from 11.1 to 12.4 percent) and in the West (from 12.0 to 13.5 percent). The poverty rates in the Northeast (11.6 percent) and the South (14.3 percent) were largely unchanged. Poverty rates rose in cities and their surrounding suburbs from 11.9 to 12.9 percent between 2007 and 2008. More specifically, urban poverty rose from 16.5 to 17.7 percent and suburban poverty from 9.0 to 9.8 percent. Poverty outside of metropolitan areas changed little. The share of the poor living outside of metropolitan areas fell between 2007 and 2008 while the share living in cities and suburbs increased.

Overall, the total number of Americans living in poverty in 2008 approaches 40 million. That number includes over 14 million children. For a family of four, this means making ends meet on less than \$22,000 a year. Given what we already know about 2009, the new Census numbers for 2008 more than likely understate the hardships families are facing today.