

# POVERTY & FAMILY SUPPORTS

## FACT SHEET

### FAQs about the Census Bureau's Official Poverty Measure

September 2013

*Each year, the Census Bureau releases data on poverty and income in the United States, and the National Women's Law Center analyzes these data to provide a picture of how women and their families are faring.<sup>1</sup> The following frequently asked questions take a closer look at what the Census Bureau numbers tell us—and don't tell us—about poverty.*

#### 1. What does the poverty rate measure?

The poverty rate measures the percentage of the U.S. population with income below the federal poverty threshold,<sup>2</sup> often referred to as the "poverty line," for their family size (e.g., \$23,283 in 2012 for a family of four with two kids). Income is calculated before taxes and includes only cash income such as earnings, pension/retirement income, Social Security, unemployment benefits, and child support payments.<sup>3</sup>

#### 2. What doesn't the poverty rate measure?

A number of federal and state benefits that help support lower-income families are not counted as income in the official poverty measure. "Non-cash benefits" like Supplemental Assistance for Needy Families (SNAP, formerly Food Stamps) and housing assistance, and tax benefits like the Earned Income Tax Credit (EITC) and the Child Tax Credit, do not count as income for purposes of calculating the official poverty rate.

The official poverty measure also does not account for any expenditures, such as those on medical needs or child care, which can be very large for some families and leave them little income to meet other basic needs.

#### 3. How are the poverty thresholds set?

The official poverty thresholds, which were established in the 1960s,<sup>4</sup> are adjusted for inflation annually—but

they have not been adjusted over the past 50 years to reflect changes in consumption patterns, demographics, and overall living standards. Moreover, the same poverty thresholds apply to every family of a given size across the country (except for Alaska and Hawaii); they do not vary based on the cost of living in different areas.

To supplement the official poverty measure, the Census Bureau has developed several "experimental" poverty measures that account for a broader range of factors.<sup>5</sup> The Census Bureau will release data on poverty in 2012 using the Supplemental Poverty Measure on October 30, 2013.

#### 4. Who is most likely to live in poverty?

Poverty is worse for women, children, and many minority groups. In 2012, more than one in seven adult women lived in poverty (14.5 percent). Among older women (65 and older) who live alone, poverty was even higher (18.9 percent). The poverty rate was about 1.6 times higher for children than for adults (21.8 percent for children compared to 13.7 percent for adults ages 18 to 64), and more than half (56.1 percent) of poor children lived in female-headed families in 2012.<sup>6</sup> Poverty rates were also higher for many minority groups than they were for whites; the poverty rate for whites in 2012 was 12.7 percent—less than half the poverty rates for blacks, Native Americans, and Hispanics, which ranged from 26 to 34 percent.<sup>7</sup>

## 5. Census data show that there are near record numbers of people living in poverty. What can be done to reduce poverty and increase economic security?

The high rates of poverty we have seen in the U.S. in recent years are due in large part to the very severe recession that lasted from December 2007 to June 2009.<sup>8</sup> Unemployment is a key driver of the poverty rate; although the national unemployment rate has declined since 2009, it has yet to return to pre-recession levels and remained above 7 percent through the first half of 2013.<sup>9</sup>

It is important to recognize that, in the wake of the deepest recession since the Great Depression, poverty would be even more widespread and severe without the federal and state policies and programs designed to support family incomes. When the Census Bureau releases the 2012 Supplemental Poverty Measure, we'll have detailed information about the role that these programs played in reducing poverty in 2012, but we know from the 2011 Supplemental Poverty Measure

that they played a critical role. For example, Social Security alone reduced the poverty rate by 8.3 percentage points; refundable tax credits, including the EITC and Child Tax Credit, reduced poverty another 2.9 percentage points; and SNAP lowered poverty by another 1.3 percentage points.<sup>10</sup>

There is more that the federal government can do. To lift more people out of poverty, Congress can maintain and strengthen effective programs like Social Security, SNAP, and tax credits for low-income families. It can end the automatic budget cuts known as sequestration that have slowed job growth,<sup>11</sup> reduced benefits for unemployed workers,<sup>12</sup> and cut programs and services that help low-income families make ends meet.<sup>13</sup> Congress can also promote economic growth by investing in infrastructure and providing aid to states and localities to invest in education and other key services, reversing the public sector job losses that have undermined the recovery.<sup>14</sup> And it can ensure that people who work full-time do not live in poverty by raising the federal minimum wage.<sup>15</sup>

- 1 Analyses by the National Women's Law Center are available at <http://www.nwlc.org/povertydata>.
- 2 See U.S. Census Bureau, Poverty Thresholds for 2012, <http://www.census.gov/hhes/www/poverty/data/threshld/> (last visited Sept. 17, 2013).
- 3 U.S. Census Bureau, How the Census Bureau Measures Poverty, <http://www.census.gov/hhes/www/poverty/methods/measure.html> (last visited Sept. 17, 2013).
- 4 U.S. Census Bureau, History of the Poverty Measure, <http://www.census.gov/hhes/www/poverty/about/history/index.html> (last visited Sept. 17, 2013).
- 5 U.S. Census Bureau, Poverty—Experimental Measures, <http://www.census.gov/hhes/povmeas/> (last visited Sept. 17, 2013).
- 6 NWLC, NWLC Analysis of 2012 Census Poverty Data (2013), available at <http://www.nwlc.org/nwlc-analysis-2012-census-poverty-data>.
- 7 U.S. Census Bureau, Current Population Survey (CPS), CPS Table Creator, <http://www.census.gov/cps/data/cpstablecreator.html> (last visited Sept. 18, 2013).
- 8 See generally NWLC, Poverty Among Women and Families, 2000-2010: Extreme Poverty Reaches Record Levels as Congress Faces Critical Choices (2011), available at <http://www.nwlc.org/sites/default/files/pdfs/povertyamongwomenandfamiliesin2010.pdf>.
- 9 NWLC, Fourth Anniversary of the Recovery Shows Job Gains for Women – But a Long Road to a Full Recovery (2013), available at <http://www.nwlc.org/resource/fourth-anniversary-recovery-shows-job-gains-women%E2%80%94long-road-full-recovery>.
- 10 U.S. Census Bureau, The Research: Supplemental Poverty Measure: 2011 (2012), available at <http://www.census.gov/prod/2012pubs/p60-244.pdf>.
- 11 Economic Policy Institute, Repealing Sequestration Would Create 900,000 New Jobs in a Year (2013), available at <http://www.epi.org/publication/repealing-sequestration-create-900000-jobs/>.
- 12 National Employment Law Project, State Implementation of the Sequester Cuts to Federal Emergency Unemployment Compensation (EUC) Program (2013), available at [http://nelp.3cdn.net/6320ece2f3fe1f26f3\\_9em6bhlqt.pdf](http://nelp.3cdn.net/6320ece2f3fe1f26f3_9em6bhlqt.pdf).
- 13 Coalition on Human Needs, Impacts of Sequestration (2013), available at <http://www.chn.org/background/save-state-fact-sheets/>.
- 14 NWLC, Fourth Anniversary of the Recovery Shows Job Gains for Women – But a Long Road to a Full Recovery (2013), available at <http://www.nwlc.org/resource/fourth-anniversary-recovery-shows-job-gains-women%E2%80%94long-road-full-recovery>.
- 15 NWLC, Our Issues: Minimum Wage (2013), available at <http://www.nwlc.org/our-issues/poverty-%2526-income-support/minimum-wage>.