Poverty in the United States in 2016: In Brief

Joseph Dalaker
Analyst in Social Policy

October 25, 2017
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Introduction

In 2016, approximately 40.6 million people, or 12.7% of the population, had incomes that fell below the official definition of poverty in the United States. These statistics represent a noticeable drop from the previous year, both in the number of poor, which had been 43.1 million in 2015, and the poverty rate (the percentage that were in poverty), which fell from 13.5%.

In this brief, the numbers and percentages of those in poverty are based on the Census Bureau’s estimates. While this official measure is often regarded as a statistical yardstick rather than a complete description of what people and families need to live, it does offer a measure of economic hardship faced by the low-income population. The Census Bureau releases these poverty estimates every September for the prior calendar year. Hence, most of the comparisons discussed in this report are year-to-year comparisons. However, in addition to the most recent year’s data, this brief will present a historical perspective as well as information on poverty for demographic groups (by family structure, age, race and Hispanic origin, and work status) and by state.

Over the past several decades, criticisms of the official poverty measure have led to the development of an alternative research measure called the Supplemental Poverty Measure (SPM), which the Census Bureau has also computed and released. Statistics comparing the official measure with the SPM are provided at the conclusion of this brief.

The SPM includes the effects of taxes and in-kind benefits (such as housing, energy, and food assistance) on poverty, while the official measure does not. Because some types of tax credits are used to assist the poor (as are other forms of assistance), the SPM may be of interest to policymakers. However, the official measure provides a comparison of the poor population over a longer time period, including some years before many current anti-poverty assistance programs had been developed. In developing poverty-related legislation and conducting oversight on programs that aid the low-income population, policymakers may be interested in these historical trends.

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How the Official Poverty Measure Is Computed

The Census Bureau determines a person’s poverty status by comparing his or her resources against a measure of need. For the official measure, resources is defined as total family income before taxes, and the measure of “need” is a dollar amount called a poverty threshold. There are 48 poverty thresholds that vary by family size and composition. That is, if a person lives with other people to whom he or she is related by birth, marriage, or adoption, the money income from all family members is used to determine his or her poverty status. If a person does not live with any family members, his or her own income is used. Only money income before taxes is used in calculating the official poverty measure, meaning this measure does not treat in-kind benefits such as the Supplemental Nutritional Assistance Program (SNAP, formerly known as food stamps), housing subsidies, or employer-provided benefits as income.

The poverty threshold dollar amounts vary by the size of the family (from one person not living in a family to nine or more family members living together) and the ages of the family members (how many of the members are children under 18 and whether or not the family head is 65 years of age or older). Collectively, these poverty thresholds are often referred to as the “poverty line.” As a rough guide, the poverty line can be thought of as $24,563 for a family of four, $19,105 for a family of three, $15,569 for a family of two, or $12,228 for an individual not living in a family, though the official measure is actually much more detailed.

The threshold dollar amounts are updated annually for inflation using the Consumer Price Index. Notably, the same thresholds are applied throughout the country: No adjustment is made for geographic variations in living expenses.

Historical Perspective

Figure 1 shows a historical perspective of the number and percent of the population below the poverty line. The number in poverty and the poverty rates are shown from the earliest year available (1959) through the most recent year available (2016). Because the total U.S. population has grown over time, poverty rates are useful for historical comparisons because they control for population growth.

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3 The poverty measure was established in the Office of Management and Budget’s Statistical Policy Directive 14, reproduced on the Census Bureau’s website at https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure/omb-stat-policy-14.html. It states that the official measure is to be used for statistical purposes but should not be construed as required for administrative purposes. An example of an administrative use is as an eligibility criterion for assistance programs.

A different measure, called the poverty guidelines, is published by the Department of Health and Human Services (HHS). Though the poverty guidelines use the official thresholds as part of their computation, the HHS poverty guidelines are collectively a distinct measure and are often used as a criterion in federal assistance programs. The HHS poverty guidelines are often referred to as the “federal poverty level,” or FPL.

4 To provide a general sense of the “poverty line,” the Census Bureau computes weighted averages of the thresholds within each size of family. For example, a family of three may consist of any of the following combinations: three adults, two adults and one child, or one adult and two children. Each combination has its own distinct threshold. The $19,105 figure cited represents an average of those family combinations, adjusted to reflect that some types of three-person families are more common than others. The averages are a convenience for the reader but are not actually used to compute poverty status for statistical reports. In actual computations, 48 thresholds are used in the official measure.

5 Unlike the poverty thresholds that are used to compute official poverty statistics, the HHS poverty guidelines used for administrative purposes do include separate amounts for Alaska and Hawaii.
Poverty rates fell through the 1960s. Since then, they have generally risen and fallen according to the economic cycle, though during the most recent two expansions, poverty rates did not fall measurably until four to five years into the expansion. Historically notable lows occurred in 1973 (11.1%) and 2000 (11.3%). Poverty rate peaks occurred in 1983 (15.2%), 1993 (15.1%), and 2010 (15.1%).

Poverty rates tend to rise during and after recessions, as opposed to leading economic indicators such as new housing construction, whose changes often precede changes in the performance of the overall economy. The poverty rate’s lag is explainable in part by the way it is measured: It uses income from the entire calendar year.

Notably, 2016 was also the first year that the poverty rate was not statistically different from the rate in 2007 (the last year before the most recent recession), though it remained higher than the rate in 2000, the most recent low point.

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6 Not every apparent difference in point estimates is a real difference. The official poverty measure uses information from the CPS ASEC, which surveys about 95,000 addresses nationwide. All poverty data discussed here are therefore estimates, which have margins of error.

Surveying a different sample would likely yield slightly different estimates of the poverty population or the poverty rate. Thus, even if the true poverty rate were exactly the same in two different years, it is possible to get survey estimates that appear different. In order to report that a change has occurred in the poverty rate—that is, that the difference between the estimates is likely not caused by sampling variability—the difference has to be large enough that fewer than 10% of all possible survey samples would produce a difference that large. Such a difference is said to be statistically significant. Point estimates whose differences are not statistically significant are described in this report as “no discernable change,” “no measurable change,” “not statistically different,” or “not distinguishable from ...,” etc.

7 The poverty rates in 1973 and 2000, the lowest point estimates on record, are not statistically different from each other and are considered to be “tied” for lowest poverty rate.

8 These poverty rates may not necessarily be distinguishable from the poverty rates in their adjacent years. See footnote 6 for an explanation of statistical significance.
Poverty for Demographic Groups

The drop in the U.S. poverty rate (from 13.5% in 2015 to 12.7% in 2016) included decreases within demographic groups that have historically been vulnerable to poverty. Details for selected demographic groups are described below.

Family Structure

Families with a female householder and no husband present (female-householder families) have historically had higher poverty rates than both married-couple families and families with a male householder and no wife present (male-householder families). This remained true in 2016,

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9 All data in this section were obtained from Semega, Fontenot, and Kollar, Income and Poverty in the United States: 2016, unless otherwise noted. Data for families are available in Table 4 of that report; data for the other demographic groups are available in Table 3.

10 The poverty rates in this section include only families with a householder (the survey’s reference person for the household, typically the person in whose name the home is owned or rented). The Census Bureau defines a family as those living together related by birth, marriage, or adoption. Not included in this section are cohabiting couples, people living alone or with non-relatives, people related to each other but not to the householder, and legally married same-sex (continued...)
although poverty rates fell for female-householder families (26.6%, down from 28.2%) and male-householder families (13.1%, down from 14.9%). Married-couple families had a poverty rate of 5.1%, not statistically different from that in 2015. Among individuals not living in families, the poverty rate was 21.0% in 2016, also not distinguishable from the previous year. Poverty rates of families in 2016 are shown in Figure 2.

**Figure 2. Poverty Rates of Families by Family Structure: 2016**

Poverty rates in percentages

![Poverty Rates of Families by Family Structure: 2016](image)


**Notes:** The poverty rates above include only families with a householder (the survey’s reference person for the household, typically the person in whose name the home is owned or rented). The Census Bureau defines a family as those living together related by birth, marriage, or adoption. Not included above are cohabiting couples, people living alone or with non-relatives, people related to each other but not to the householder, and legally married same-sex couples. The Census Bureau is changing the CPS ASEC data processing to measure same-sex married couples. For details see U.S. Census Bureau, “Same-Sex Couples Working Papers,” https://www.census.gov/topics/families/same-sex-couples/library/working-papers.2017.html. For an overview of the effects of the proposed changes on poverty statistics, see Ashley Edwards, “The Presence and Impact of Same-Sex Married Couples on Poverty Rates in the Current Population Survey,” U.S. Census Bureau, https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-25.pdf.

**Age**

When examining poverty by age, three main groups are noteworthy for distinct reasons: under 18, ages 18-64, and 65 years and older. People under age 18 are typically dependent on other family (...continued)
members for income, particularly young children below their states’ legal working ages. People ages 18-64 are generally thought of as the working-age population and typically have wages and salaries as their greatest source of income. People 65 years and older, referred to as the aged population, are often eligible for retirement, and those who do retire typically experience a change in their primary source of income.

Among children, the poverty rate fell to 18.0% in 2016, representing 13.3 million children, down from 19.7% and 14.5 million the previous year. Among the working-age population, the poverty rate fell to 11.6%, representing 22.8 million people in 2016, down from 12.4% and 24.4 million the year before. Among the aged population, 9.3% were poor in 2016, not distinguishable from the previous year, and the number of poor ticked upward from 4.2 million to 4.6 million in 2016.

From a historical standpoint, the poverty rate for those 65 and over used to be the highest of the three groups. In 1966, people 65 and over had a poverty rate of 28.5%, compared with 17.6% for those under 18 and 10.5% for working-age adults. By 1974, the poverty rate for people 65 and over had fallen to 14.6%, compared with 15.4% for people under 18 and 8.3% for working-age adults. Since then, people under 18 have had the highest poverty rate of the three age groups, as shown in Figure 3.

**Figure 3. Poverty Rates by Age: 1959 to 2016**

Poverty rates in percentages


Notes: Data are not available from 1960 to 1965 for persons age 65 and older, and for persons ages 18-64. For each group, two estimates are shown for 2013 because the Census Bureau implemented a change to the CPS ASEC income questions. This change was partially implemented with the 2013 data and fully implemented for the 2014 data. For 2013, some households received the old questionnaire and others the new so that it would be possible to see the effect of changing the questionnaire and make consistent comparisons both before and after 2013.
Race and Hispanic Origin\textsuperscript{11}

Poverty rates vary by race and Hispanic origin, as shown in Figure 4. In surveys, Hispanic origin is asked separately from race; accordingly, people identifying as Hispanic may be of any race. Poverty rates fell for Blacks\textsuperscript{12} (from 24.1% in 2015 to 22.0% in 2016), Hispanics (from 21.4% to 19.4% over the same period), and Asians\textsuperscript{13} (11.4% to 10.1%). The poverty rates for non-Hispanic Whites (8.8%) did not change discernably from 2015\textsuperscript{14}.

\textbf{Figure 4. Poverty Rates by Race and Hispanic Origin: 2016}

<table>
<thead>
<tr>
<th>Race / Hispanic Origin</th>
<th>Poverty Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All persons</td>
<td>8.8</td>
</tr>
<tr>
<td>White alone, not Hispanic</td>
<td>5.4</td>
</tr>
<tr>
<td>Black alone</td>
<td>22.0</td>
</tr>
<tr>
<td>Asian alone</td>
<td>10.1</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>19.4</td>
</tr>
</tbody>
</table>


\textbf{Notes:} People of Hispanic origin may be of any race. Additionally, respondents may identify with one or more racial groups. Except for “All persons” and “Hispanic,” the remaining groups shown include those who identified with one race only. Data for Native Hawaiians and Other Pacific Islanders, American Indians and Alaska Natives, and the population of two or more races are not shown separately.

\textsuperscript{11} Since 2002, federal surveys have asked respondents to identify with one or more races; previously they could choose only one. The groups in this section represent those who identified with one race alone. Another approach is to include those who selected each race group either alone or in combination with one or more other races. Those data are also available on the Census Bureau’s website at https://www.census.gov/library/publications/2017/demo/p60-259.html where they are published in Appendix B in \textit{Income and Poverty in the United States: 2016} and in accompanying historical data tables.

\textsuperscript{12} Includes Blacks of Hispanic origin.

\textsuperscript{13} Includes Asians of Hispanic origin.

\textsuperscript{14} Poverty rates for the American Indian and Alaska Native population, the Native Hawaiian and Other Pacific Islander population, and the population reporting two or more races had wide margins of error. The CPS ASEC’s sample size was not large enough to provide precise estimates for these three smallest race categories.
Work Status

While having a job reduced the likelihood of being in poverty, it did not guarantee that a person or his or her family would avoid poverty. Among the 18-64 population living in poverty, 38.4% had jobs in 2016. However, workers were less likely to be in poverty in 2016 than they were the year before: 5.8% of workers were poor in 2016, down from 6.3%. Among full-time year-round workers, 2.2% were poor in 2016, not measurably changed from the previous year. Among part-time or part-year workers, 14.7% were poor, down from 15.5% in 2015.

Because poverty is a family-based measure, the change in one member’s work status can affect the poverty status of his or her entire family. This is one reason why the poverty rate of non-workers age 18-64 also fell in 2016 to 30.5%, down from 31.8%. Among the 18-64-year-olds who did not have jobs in 2016, 58.7% lived in families in which someone else did have a job. Among poor 18-64-year-olds without jobs, 21.1% lived in families where someone else worked.

Poverty Rates by State

Poverty is not equally prevalent in all parts of the country. The map in Figure 5 shows a band of states with relatively high poverty rates across parts of the Appalachians and the deep South, as well as in New Mexico and Arizona, with the poverty rates in Mississippi (20.8%), Louisiana (20.2%), and New Mexico (19.8%), among the highest in the nation. The poverty rate in New Hampshire (7.3%) was lowest. When comparing poverty rates geographically, it is important to remember that the official poverty thresholds are not adjusted for geographic variations in the cost of living—the same thresholds are used nationwide. As such, an area with a lower cost of living accompanied by lower wages will appear to have a higher poverty rate than an area with a higher cost of living and higher wages, even if individuals’ purchasing power were exactly the same in both areas.

Twenty-four states experienced poverty rate declines from 2015 to 2016: five in the Midwest (Illinois, Kansas, Michigan, Missouri, and Nebraska); four in the Northeast (Connecticut, Massachusetts, New Hampshire, and New York); eight in the South (Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee); and seven in the West (Arizona, California, Hawaii, Montana, Oregon, Utah, and Washington). Vermont was the only state to experience an increase, and 25 states experienced no change.

16 Ibid.
17 These state estimates are based on the American Community Survey (ACS) instead of the CPS ASEC, because the Census Bureau recommends the ACS when comparing states and smaller geographic areas. Since the CPS ASEC surveys 95,000 addresses nationwide, it is sometimes difficult to obtain reliable estimates for small populations or small geographic areas – the sample may not have selected enough people from that group or area to provide a meaningful estimate. The ACS samples about 3.5 million addresses per year and therefore affords greater statistical precision for comparing states and smaller geographic areas. Unlike the CPS ASEC, however, which uses trained interviewers and detailed income questions, the ACS is filled out by the respondent on his or her own. Furthermore, the ACS is conducted continuously, and asks the respondents about their income in the previous 12 months, not necessarily the previous calendar year as in the CPS ASEC. For those reasons, poverty estimates from the ACS are often different from CPS ASEC estimates: the ACS reported a poverty rate of 14.0% for the U.S. in 2016, compared with 12.7% in the CPS ASEC. Poverty estimates from neither the ACS nor the CPS ASEC include Puerto Rico in the U.S. total. Puerto Rico’s poverty rate was 43.5% in 2016. The ACS is not conducted in the other U.S. territories.
18 The Census regions are as follows:
Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island,
(continued...)
Supplemental Poverty Measure

Criticisms of the official measure have led to the development of the Supplemental Poverty Measure (SPM). Described below are the development of the official measure, its limitations, attempts to remedy those limitations, the research efforts that led to the SPM, and a comparison of poverty rates based on the SPM and the official measure.

(...continued)

Vermont.

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

South: Alabama, Arkansas, Delaware, District of Columbia (treated as a state-equivalent for tabulations), Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia.


For details on geographic definitions, see U.S. Census Bureau, “Regions,” https://www.census.gov/geo/reference/webatlas/regions.html.
How the Official Poverty Measure Was Developed

The poverty thresholds were originally developed in the early 1960s by Mollie Orshansky of the Social Security Administration. Rather than attempt to compute a family budget by using prices for all essential items that low-income families need to live, Orshansky focused on food costs.\(^{19}\) Unlike other goods and services such as housing or transportation, which did not have a generally agreed-upon level of adequacy, minimum standards for nutrition were known and widely accepted. According to a 1955 U.S. Department of Agriculture (USDA) food consumption survey, the average amount of their income that families spent on food was roughly one-third. Therefore, using the cost of a minimum food budget and multiplying that figure by three yielded a figure for total family income. That computation was possible because USDA had already published recommended food budgets as a way to address the nutritional needs of families experiencing economic stress. Some additional adjustments were made to derive poverty thresholds for two-person families and individuals not living in families to reflect the relatively higher fixed costs of smaller households.

Motivation for a Supplemental Measure

While the official poverty measure has been used for over 50 years as the source of official statistics on poverty in the United States, it has received criticism over the years for several reasons. First, it does not take into account benefits from most of the largest programs that aid the low-income population. For instance, it uses money income before taxes—meaning that it does not necessarily measure the income available for individuals to spend, which for most people is after-tax income. Any effects of tax credits designed to assist persons with low income are not captured by the official measure. The focus on money income also does not account for in-kind benefit programs designed to help the poor, such as SNAP or housing assistance.

The official measure has also been criticized for the way it characterizes families’ and individuals’ needs in the poverty thresholds. That is, the method used to compute the dollar amounts used in the thresholds, which were originally based on food expenditures in the 1950s and food costs in the 1960s, do not accurately reflect current needs and available goods and services.\(^ {20}\) Moreover, the official measure does not take account of the sharing of expenses and income among household members not related by birth, marriage, or adoption. And, as mentioned earlier, the official thresholds do not take account of geographic variations in the cost of living.

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\(^{19}\) While Orshansky did not attempt to compute a complete basket of goods and services, the focus on food costs was already more detailed than the dollar amount used in the 1964 Economic Report of the President, issued by the Council of Economic Advisers (chapter 2, “The Problem of Poverty in America”). In that report, a flat figure of $3,000 was used for all families and $1,500 for unrelated individuals. See also Economic Report of the President (1964), https://fraser.stlouisfed.org/title/45#8135. For a thorough history of the official poverty measure, see Gordon Fisher, “The Development of the Orshansky Thresholds and Their Subsequent History as the Official U.S. Poverty Measure,” 1992 (rev. 1997), reproduced on the Census Bureau’s website at https://www.census.gov/library/working-papers/1997/demo/fisher-02.html.

\(^{20}\) Criticisms have been discussed in the mainstream press as well as within academia. A 1988 article (Spencer Rich, “Drawing the Line Between Rich, Poor,” The Washington Post, September 23, 1988, https://www.washingtonpost.com/archive/politics/1988/09/23/drawing-the-line-between-rich-poor/60f5ddeb-dab3-4a42-819a-2dea34e7854e/) documented dissatisfaction about the official measure. This came from both those claiming it was too high, citing its failure to capture the effects of in-kind benefits for the poor and its overstatement of inflation, and those claiming it was too low based on the fact that if the thresholds were derived using more recent household consumption data, they would be based on roughly five times the cost of food, not three times as Orshansky had computed in the early 1960s.
In 1995, a panel from the National Academy of Sciences issued a report, *Measuring Poverty: A New Approach*, which recommended improvements to the poverty measure.\(^{21}\) Among the suggested improvements were to have the poverty thresholds reflect the costs of food, clothing, shelter, utilities, and a little bit extra to allow for miscellaneous needs; to broaden the definition of “family”; to include geographic adjustments as part of the measure’s computation; to include the out-of-pocket costs of medical expenses in the measure’s computation; and to subtract work-related expenses from income. An overarching goal of the recommendations was to make the poverty measure more closely aligned with the real-life needs and available resources of the low-income population, as well as the changes that have taken place over time in their circumstances owing to changes in the nation’s economy, society, and public policies (see *Table 1*).

After over a decade and a half of research to implement and refine the methodology suggested by the panel, conducted both from within the Census Bureau as well as from other federal agencies and the academic community, the Census Bureau issued the first report using the SPM in November 2011.\(^{22}\)

### Table 1. Differences Between the Official and Supplemental Poverty Measures

<table>
<thead>
<tr>
<th></th>
<th>Official Poverty Measure</th>
<th>Supplemental Poverty Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource units (“families”)</td>
<td>People related by birth, marriage, or adoption (official Census Bureau definition of “family”). People age 15 and older not related to anyone else in the household are considered as their own economic units.</td>
<td>People related by birth, marriage, adoption, plus unrelated and foster children, and cohabiting partners and their children or other relatives (if any) are considered as “SPM resource units” (sharing resources and expenses together).</td>
</tr>
<tr>
<td>Needs (thresholds)</td>
<td>• Vary according to family size and ages of family members.</td>
<td>• Vary according to the size and composition of the resource unit (see above).</td>
</tr>
<tr>
<td></td>
<td>• Dollar amounts based on the cost of a food plan for families in economic stress in the early 1960s, times three (with adjustments for two-person families and individuals).</td>
<td>• Dollar amounts based on consumer expenditure data for food, clothing, shelter, utilities, with adjustments by homeownership and mortgage or rental status.</td>
</tr>
<tr>
<td></td>
<td>• Updated for inflation using the Consumer Price Index.</td>
<td>• Based on most recent five years of consumer expenditure data (not fixed at one point and trended forward).</td>
</tr>
<tr>
<td></td>
<td>• No geographic cost adjustments.</td>
<td>• Housing costs geographically adjusted for metropolitan and nonmetropolitan areas.</td>
</tr>
</tbody>
</table>


\(^{22}\) It should be noted that the effort to consolidate the previous research and create the SPM was done under the auspices of an Interagency Technical Working Group, led by the Office of Management and Budget, and received public commentary via a Federal Register notice (75 Federal Register 29513-29514, May 26, 2010). The notice, as well as comments and responses thereto, have been reproduced on the Census Bureau’s website at https://www.census.gov/topics/income-poverty/supplemental-poverty-measure/guidance/methodology.html.
Official and Supplemental Poverty Findings for 2016

Under the SPM, the profile of the poverty population is slightly different than under the official measure. After rounding, the SPM was about 1.3 percentage points higher in 2016 than the official poverty rate (14.0% compared with 12.7%, a figure that includes foster children under age 15, who are not normally included in the official measure. See Figure 6). More people ages 18-64 are in poverty under the SPM (13.3% compared with 11.6% under the 2016 official measure), as are people ages 65 and over (14.5%, compared with 9.3% under the official measure). The poverty rate for people under age 18 was lower under the SPM (15.2% in 2016) than under the official measure (18.0%, with foster children included). Again, the SPM uses a different definition of resources than the official measure: The SPM includes in-kind benefits, which generally help families with children; subtracts out work-related expenses, which are often incurred by the working-age population; and subtracts medical out-of-pocket expenses, which are incurred frequently by people ages 65 and older.


Note: For caveats, see the section, “Supplemental Poverty Measure.”
Figure 6. Poverty Rates Under Official Measure and Supplemental Poverty Measure, for the U.S. Total, by Age, and by Region: 2016

Poverty rates in percentages


Notes: Figures include unrelated individuals under age 15 (such as foster children), who are not usually included in official poverty estimates.

With the geographically adjusted thresholds, the poverty rate in 2016 was lower under the SPM than under the official measure for the Midwest (11.1% compared with 11.7%), while it was higher than the official measure for the Northeast (12.4% compared with 10.8%), the West (16.3% compared with 12.9%), and the South (14.8% compared with 14.1%).

Author Contact Information

Joseph Dalaker
Analyst in Social Policy
jdalaker@crs.loc.gov, 7-7357