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Poverty in the United States in 2014: In Brief

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September 30, 2015

Congressional Research Service
7-5700
www.crs.gov
R44211

CRS REPORT
Prepared for Members and
Committees of Congress

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Introduction

In 2014, approximately 46.7 million people, or 14.8% of the population, had incomes that fell below the official definition of poverty in the United States. Neither the number of people in poverty, nor the *poverty rate* (the percentage that were in poverty), had changed discernably from the previous year.

In this brief, the numbers and percentages of those in poverty are based on the Census Bureau's estimates. While the official measure is regarded as a statistical yardstick rather than as a complete description of what people and families need to live,[1] 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 below are year-to-year comparisons. However, in addition to the most recent year's data, a historical perspective is provided. This brief will also present information on poverty for demographic groups (by family structure, age, race and Hispanic origin, and work status) and for states.

Over the past several decades, criticisms of the official measure have led to the development of an alternative research measure called the Supplemental Poverty Measure, or 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.

How the Official Poverty Measure is Computed[2]

In the poverty measures presented here, a person's poverty status is determined by comparing his or her resources against a measure of need. For the official measure, "resources" is defined as money 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.

When comparing income with the threshold, the income used is total family income, and the threshold used is one appropriate for the size and composition of the family. That is, if a person lives with other people to whom they are related by birth, marriage, or adoption, the money income from all family members is added together, and the total family income is used to determine their 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 – the official poverty 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.

[1] Carmen DeNavas-Walt and Bernadette D. Proctor, U.S. Census Bureau, Current Population Reports, P60-252, *Income and Poverty in the United States: 2014*, U.S. Government Printing Office, Washington DC, 2015. Appendix B, p. 43. The characterization of the poverty measure as a statistical yardstick goes back decades; for example, "U.S. Changes Yardstick on Who Is Poor," Chicago Tribune, May 3, 1965, section 1B p. 4.

[2] The poverty measure was established as official in the Office of Management and Budget's Statistical Policy Directive 14, reproduced on the Census Bureau's website at http://www.census.gov/hhes/povmeas/methodology/ombdir14.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 a distinct measure and are often used in federal assistance programs. The HHS poverty guidelines are often referred to as the "federal poverty level" or FPL.

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) 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 $24,230 for a family of four, $18,850 for a family of three, $15,379 for a family of two, or $12,071 for an individual not living in a family, though the official measure is actually much more detailed.[3]

The threshold dollar amounts are updated annually for inflation using the Consumer Price Index, but the same thresholds are applied throughout the country – no adjustment is made for geographic variations in living expenses.[4]

Historical Perspective

Figure 1 shows the number and percent of the population below the poverty line to provide a historical perspective. The number in poverty and the poverty rates are shown from the earliest year available (1959), through the most recent year available (2014). Poverty rates fell from 1961 through the rest of the 1960s, and since then have generally risen and fallen according to the economic cycle. Because the total U.S. population has grown over time, poverty rates are useful for historical comparisons because population size is used in their computation. Historically notable lows occurred in 1973 (11.1%) and 2000 (11.3%).[5] Poverty rate peaks occurred in 1983 (15.2%), 1993 (15.1%), and 2010 (15.1%).[6]

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.

[3] 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 of which has its own distinct threshold. The average of all three thresholds was given above, with an adjustment 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.

[4] 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.

[5] Not every apparent difference in point estimates is a real difference. The official poverty measure uses information from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), which surveys about 98,000 addresses nationwide. All poverty data discussed here are therefore estimates, which have margins of error.

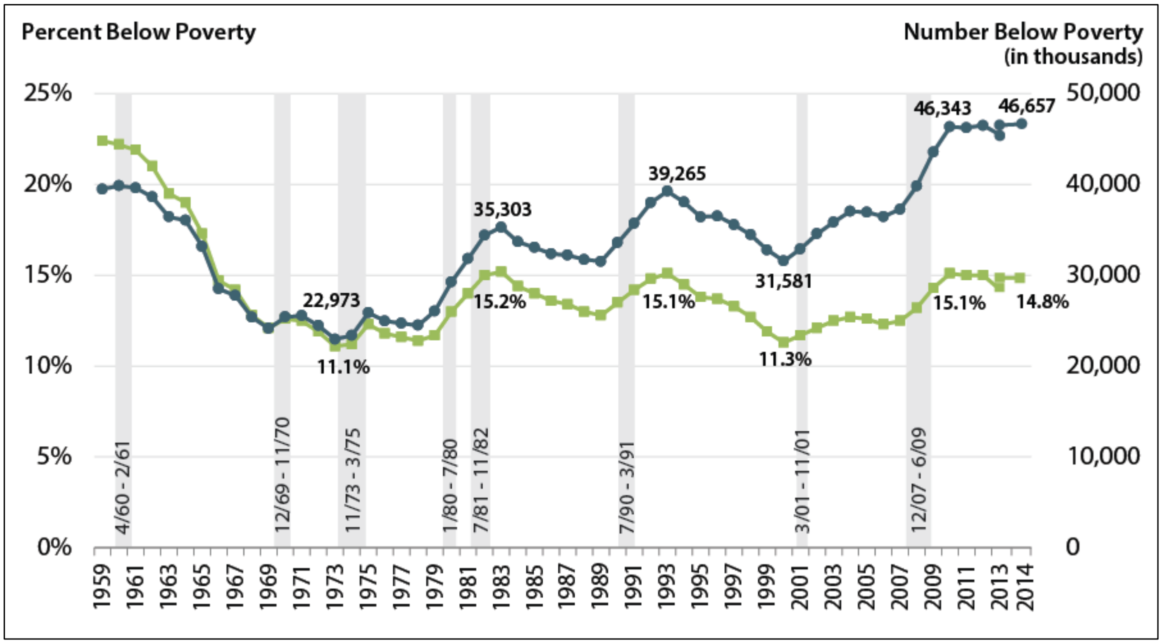
Selecting a different sample would likely yield slightly different estimates of the poverty population or the poverty rate. Thus, even if the true poverty rate were exactly the same in two different years, it is possible to get survey estimates that appear different. In order to report that a change has occurred in the poverty rate, that is, that the difference between the estimates probably is not merely 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.

The poverty rates in 1973 and 2000 are not distinguishable from each other in a statistical sense. Their difference is said to be not statistically significant.

[6] These poverty rates may not necessarily be distinguishable from the poverty rates in their adjacent years. See footnote 5 for an explanation of statistical significance.

Figure 1. Number of People Below Poverty and Poverty Rate, 1959 to 2014

Shaded bars indicate recessions



Source: Congressional Research Service, based on poverty data from U.S. Census Bureau, Current Population Survey, 1960-2015 Annual Social and Economic Supplements. Obtained from Historical Poverty Table 2, http://www.census.gov/hhes/www/poverty/data/historical/hstpov2.xls. Recession dates obtained from National Bureau of Economic Research, http://www.nber.org/cycles/cyclesmain.html.

Notes: 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, as well as to be able to make consistent comparisons both before and after 2013.

Poverty for Demographic Groups

Neither the poverty rate nor the number of people below poverty changed discernably overall from 2013 to 2014 (14.8% of the population or 46.7 million people in 2014). At a more detailed level, few demographic groups experienced significant changes from 2013 to 2014. Details for selected demographic groups are described below.

Family Structure

Families with a female householder and no spouse present (female-householder families) historically have had higher poverty rates than married-couple families and families with a male householder and no spouse present (male-householder families). In 2014, the poverty rate for female-householder families was 30.6%, compared with 15.7% for male-householder families and 6.2% for married-couple families. Of the three types of families, only married-couple families experienced an increase in their poverty rate from 2013 to 2014 (up 0.5 percentage points). No change was detected statistically in the poverty rates for the other two groups. Among individuals who did not live with any family members, 23.1% were in poverty in 2014, also not distinguishable from 2013.

Changes in the number of families in poverty were detectable for some groups and fill in more of the picture. In 2014, approximately 439,000 fewer female-householder families were in poverty compared with 2013. That decline seems to have been offset by an increase in married-couple families in poverty, by 341,000 between 2013 and 2014, especially since married-couple families tend to be larger than female-householder families. Overall, looking at the number of people that live in families, there was no significant change in the number living in poverty. Among people who lived with no family members, 667,000 more were in poverty in 2014 compared with 2013.

Age

When examining poverty by age, three main groups are noteworthy for distinct reasons: under 18, age 18 to 64, and 65 years and older. People under age 18 are typically dependent on other family members for income, particularly young children below their state's legal working age. People age 18 to 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 are often eligible for retirement, and those who do retire typically experience a change in their primary source of income.

In 2014, people under age 18 had the highest poverty rate among the three groups: 21.1% compared with 13.5% for working-age adults and 10.0% for those age 65 and older. None of the three groups' poverty rates changed significantly from 2013.

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 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.

Work Status

While having a job in 2014 did reduce the likelihood of being in poverty, it did not guarantee that a person or his or her family would avoid poverty. Among workers age 18 to 64, 6.9% were in poverty, compared with 33.7% of non-workers in that same age group; neither poverty rate changed significantly since 2013. Focusing instead on all those in poverty ages 18 to 64, however, 38.3% had jobs in 2014.

While the number of full-time year-round workers aged 18 to 64 increased from 101.1 million in 2013 to 103.4 million in 2014, neither their poverty rate (3.0% in 2014) nor the number below poverty (3.1 million) changed discernably over that period. Of the poverty population age 18 to 64, 11.7% worked full-time year-round.

Race and Hispanic Origin

Poverty rates vary by race and Hispanic origin. In surveys, Hispanic origin is asked separately from race; accordingly, people identifying as Hispanic may be of any race. In 2014, poverty rates were higher for Hispanics (23.6%) and Blacks (26.2%) than for Asians (12.0%) and non-Hispanic Whites (10.1%). None of these poverty rates changed measurably since 2013.

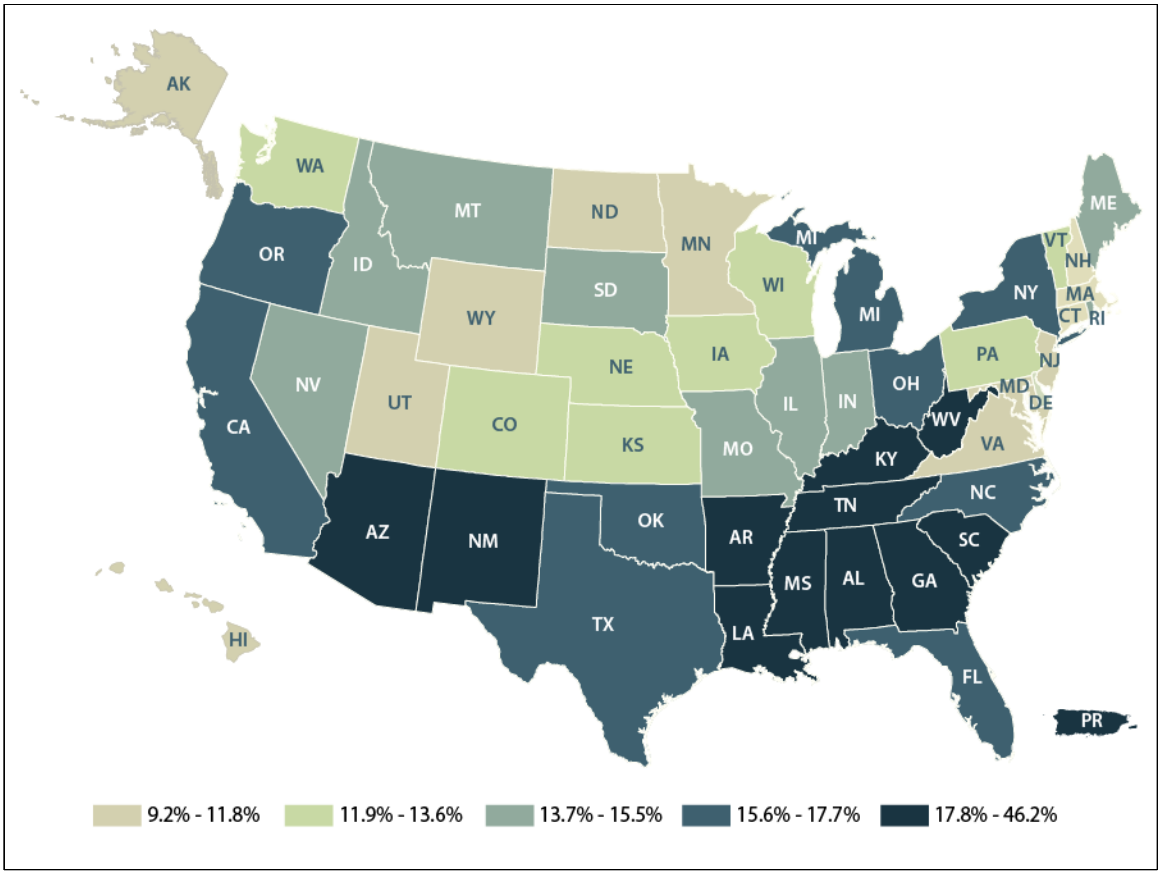
Poverty Rates by State[7]

The map in **Figure 2** 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 poverty rates in Mississippi (21.5%), and New Mexico (21.3%), among the highest state poverty rates. 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. 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. That said, the poverty rate in New Hampshire (9.2%) was lowest, followed by Maryland (10.1%).[8]

[7] These state estimates are based on the American Community Survey (ACS) instead of the CPS ASEC, because the Census Bureau recommends that survey when comparing states and smaller geographic areas. Since the CPS ASEC surveys 98,000 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 million addresses per year, much larger than the 98,000 sampled in the CPS ASEC, and therefore affords greater statistical precision. Unlike the CPS ASEC, however, which uses trained interviewers and detailed income questions, the ACS is designed to be 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 asked about 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 15.5% for the U.S. in 2014, compared with 14.8% 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 46.2% in 2014.

[8] State rankings are not always a cut-and-dried comparison, especially when margins of error overlap. Margins of error are provided in the Census Bureau's table S1701 in American FactFinder, available at http://factfinder.census.gov/bkmk/table/1.0/en/ACS/14_1YR/S1701/0100000US.04000. The margins of error overlap for Mississippi (21.5% plus or minus 0.6) and New Mexico (21.3% plus or minus 0.9). It would be misleading to claim one state as "the highest" given the overlap. Nevertheless, these margins of error are narrower than those for CPS ASEC estimates.

Figure 2. Percentage of People in Poverty in the Past 12 Months by State and for Puerto Rico: 2014



Source: Congressional Research Service, based on poverty data from U.S. Census Bureau, American Community Survey, 2014 1-year estimates. Table S1701, http://factfinder.census.gov/bkmk/table/1.0/en/ACS/14_1YR/S1701/0100000US.04000.

Supplemental Poverty Measure (SPM)

Criticisms of the official measure have inspired poverty measurement research and eventually led to the development of the SPM. Described below are the considerations that went into each measure, followed by a comparison of poverty rates under each measure.

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 low-income families need to live, this early research focused on food costs.[9]

[9] While Orshansky's research 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 chapter 2 ("The Problem of Poverty in America") of the 1964 Economic Report of the President, issued by the Council of Economic Advisers. In that chapter, a flat figure of $3000 was used for all families. See also *Economic Report of the President* (1964) https://fraser.stlouisfed.org/title/?id=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, (continued...)

Unlike other goods and services such as housing or transportation, which did not have a generally agreed-upon level of adequacy nor a dollar amount needed to secure that level, minimum standards for nutrition were known and widely accepted. According to a 1955 USDA food consumption survey, the average amount of their income 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 already had 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 fails to take into account benefits from most of the largest programs that aid the low-income population. 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 take account of in-kind benefit programs designed to help the poor, such as SNAP (formerly known as food stamps) or housing assistance.

Aside from its inability to capture the effects of taxes and noncash benefits, the official measure has also been criticized for the way it characterizes families' and individuals' needs in the poverty thresholds. And, as mentioned earlier, the official thresholds do not take account of geographic variations in the cost of living.

In 1995, a panel from the National Academy of Sciences (NAS) issued a report, *Measuring Poverty: A New Approach*, which recommended improvements to the poverty measure.[10] 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 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 also 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, and the changes that have taken place over time in their circumstances, owing to changes in the nation's economy, society, and public policies.

After over a decade and a half of research to implement and refine the methodology suggested by the NAS panel, conducted both from within the Census Bureau as well as from other federal agencies and the academic community, the first report using the Supplemental Poverty Measure (SPM) was issued by the Census Bureau in November 2011.[11] The SPM was not issued with the

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(...continued)

reproduced on the Census Bureau's website at http://www.census.gov/hhes/povmeas/publications/orshansky.html.

[10] Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach*. Panel on Poverty and Family Assistance: Concepts, Information Needs, and Measurement Methods. Committee on National Statistics, National Research Council. National Academies Press, Washington DC, 1995. Available at http://www.nap.edu/read/4759/chapter/1.

[11] It should be noted that the effort to consolidate the previous research and create the SPM was done under the

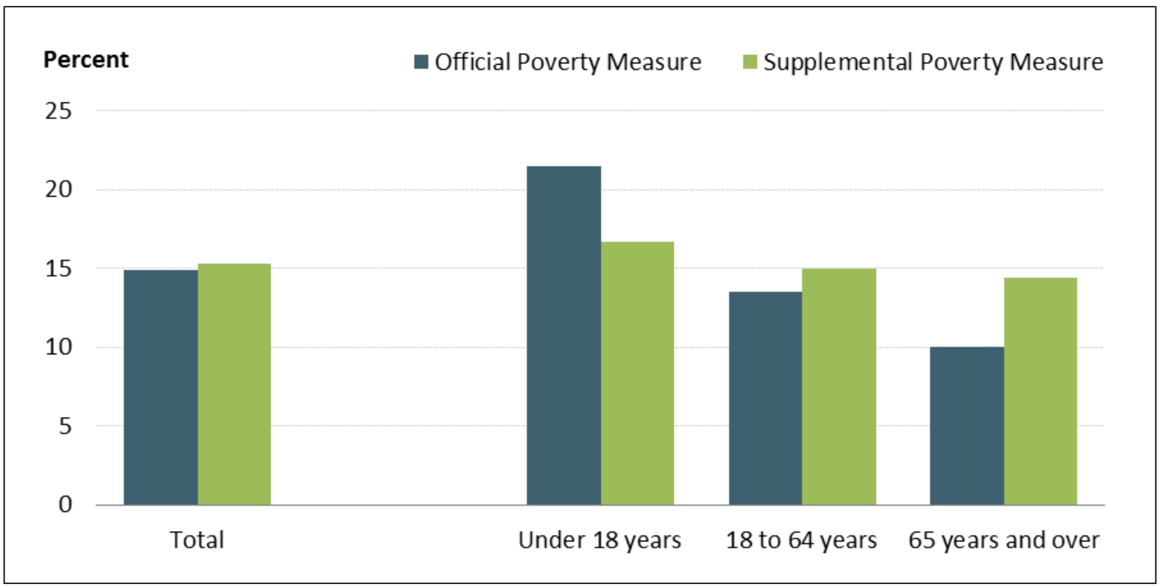
(continued...)

intent of replacing the official poverty measure for statistical purposes, nor to replace existing eligibility criteria for assistance programs, but rather as a supplemental measure.

Findings for 2014

Under the SPM, the profile of the poverty population is slightly different than under the official measure. After rounding, the SPM was about 0.3 percentage points higher in 2014 than the official poverty rate (15.3% compared with 14.9%, a figure that includes foster children under age 15 that are not normally included in the official measure. See **Figure 3**). More people age 18 to 64 are in poverty under the SPM (15.0% compared with 13.5% under the 2014 official measure), as are people age 65 and over (14.4%, compared with 10.0% under the 2014 official measure). The poverty rate for people under age 18 was lower under the SPM (16.7% in 2014) than under the official measure (21.5%, 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 age 65 and over, from income.

Figure 3. Poverty Rates Under Official Measure and Supplemental Poverty Measure, for Total Population and by Age Group



Source: Congressional Research Service, based on data from U.S. Census Bureau, Current Population Survey, 2015 Annual Social and Economic Supplement. Obtained from Short, Kathleen, U.S. Census Bureau, Current Population Reports, P60-254, *The Supplemental Poverty Measure: 2014*, September 2015, pp. 4-5. Available at http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-254.pdf.

Note: Figures include unrelated individuals under age 15, such as foster children, not usually included in official poverty estimates.

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auspices of an Interagency Technical Working Group led by the Office of Management and Budget, and received public commentary via a *Federal Register* notice (*Federal Register*, vol. 75 no. 101, Wednesday, May 26, 2010, pp. 29513-29514). The notice, as well as comments and responses thereto, have been reproduced on the Census Bureau's website at http://www.census.gov/hhes/www/poverty/methods/spm_fedregister.html.

Since the SPM thresholds are geographically adjusted, poverty rates in 2014 were lower under the SPM than under the official measure for both the Midwest (11.8% compared with 13.1%) and the South (15.6% compared with 16.6%), while the SPM poverty rate was higher than the official in the Northeast (14.7% compared with 12.7%) and the West (18.4% compared with 15.3%).

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