Center for American Progress Action Fund

Understanding the 2011 Poverty Data

Melissa Boteach September 7, 2012

The U.S. Census Bureau will release its Current Population Survey on Wednesday with new data on income, poverty, and health insurance in 2011. Projections indicate there will be a significant increase in the share of Americans living below the poverty line, possibly reaching its highest point since the mid-1960s.

These data, however, do not tell the whole story about poverty and hardship in the United States. This memo provides some key context to understanding the forthcoming numbers as well as media resources that Half in Ten, a project of the Center for American Progress Action Fund; the Coalition on Human Needs; and The Leadership Conference on Civil and Human Rights, can provide for reporters and pundits who expect to report on or speak about the data.

Context

Although the Census data are expected to show a significant increase in the share of Americans living below the poverty line—approximately $23,000 a year for a family of four—the numbers do not tell the full story about how the data has implications for larger conversations about the middle class, public policy, and long-term economic competitiveness. Here are a few key observations to provide context to the numbers and things to watch for in the Current Population Survey data release.

Growing income inequality

If poverty goes up and median incomes fall, these trends will have taken place in the context of a growing economy, underscoring that the economic gains of 2011 were concentrated at the top of the income spectrum. This illustrates the relationship between growing income inequality and a weakening middle class at the same time Congress is considering key tax and deficit-reduction proposals that could either exacerbate or mitigate trends of growing inequality.

Specifically, decisions on whether or not to extend the 2001 and 2003 tax cuts enacted under President George W. Bush for the wealthiest 2 percent of households, extend expansions to the earned income and child tax credits for low-wage working families enacted under President Barack Obama, and pursue a course of deficit reduction in 2013 and beyond that protects programs for low- and moderate-income families will strongly affect the ranks of America's poor in the long term.

Policy matters

The uptick in poverty in 2011 is associated with other key policy decisions such as a reduction in unemployment insurance, which kept 3.2 million people out of poverty in 2010, and state-and-local budget cutbacks that led to public-sector job losses.

According to the Center on Budget and Policy Priorities, there was a $36 billion inflation-adjusted decline (approximately 25 percent) in unemployment insurance payments from 2010 to 2011, some of which is due to people finding jobs or timing off benefits. More than a quarter of the decline, however, resulted from the expiration at the end of 2010 of Federal Additional Compensation, an initiative that was part of the American Recovery and Reinvestment Act of 2009 that provided an additional $25 a week in unemployment benefits. The decline in unemployment insurance payments will likely be a significant contributor to the increase in poverty.

In terms of state and local cutbacks, the unemployment rate is one of the biggest determinants of the poverty rate. According to research by economist Hillary Hoynes and her colleagues at the University of California, Davis, historically a 1 percentage-point increase in the unemployment rate has been associated with a 0.5 percent increase in the poverty rate. And public-sector layoffs played a role in keeping the unemployment rate higher than it needs to be with 386,000 government jobs shed in 2011.

In fact, an analysis by economist Paul Krugman earlier this year underscores that "If government employment under Mr. Obama had grown at Reagan-era rates, 1.3 million more Americans would be working as schoolteachers, firefighters, police officers, etc., than are currently employed in such jobs." Adding in the effects of public spending on private-sector employment through effects such as increased demand for private goods and services could mean an unemployment rate more than one full percentage point lower.

In short, pulling back on unemployment insurance and conservative obstructionism to jobs bills that provided aid to states and localities are two policy decisions that likely contributed to the rise in the poverty rate. Aid to states and localities to save the jobs of teachers and first responders and continuing federal unemployment benefits are two important actions Congress could take to help address poverty this year.

What's missing in the data

The poverty data can be misleading because the statistics do not take into account key federal policies that have helped mitigate hardship and boost the incomes of struggling families. The Department of Agriculture, for example, released data this past Wednesday on food security in the United States in 2011. Despite the expected rise in poverty for the same year, there was *no statistically significant increase* in the share of food insecure households—households that struggle to afford enough nutritious food—in 2011. This is in part because programs such as the Supplemental Nutrition Assistance Program responded to high unemployment and the growth of low-wage work by enabling more families to afford sufficient nutrition.

Similarly, counting the earned income tax credit as income would have lifted 5.4 million people above the poverty line in 2010, according to the Census Bureau. If programs such as nutrition assistance, affordable housing, and the child tax credit were taken into consideration, millions more people would have incomes above the poverty line. As Congress considers tax and budget policies, they should understand the powerful anti-poverty effects of these investments that are not reflected in the official poverty data.

Poverty statistics, however, are woefully out of date on the side of undercounting the poor. The poverty threshold was established in the 1960s, and though our society has changed dramatically since then, we've only indexed poverty thresholds to inflation. While costs such as child care, transportation, health care, and affordable housing have all risen faster than wages for low-income families, the official poverty rate does not take into account any of these factors. Thus the statistic is a gross underestimation of the number of families struggling to make ends meet. A more accurate number to gauge the percent of low-income households is to look at the percentage below twice the poverty line, or about $36,000 a year for a family of three.

A deeper dive on demographic shifts

One story that may get lost in the topline numbers but is critical to America's long-term economic competitiveness is poverty rates for children under five years old—particularly children of color. In 2010 more than one in four children under age five (25.9 percent) lived in poverty, but for Black and Hispanic children under five years old, the rates were significantly higher, at 45.5 percent and 37.6 percent, respectively. 2011 is not expected to show a decrease in these rates.

Research shows that poverty among young children carries consequences far beyond their childhood in everything from educational outcomes and worker productivity to long-term health costs. The majority of children under one year of age today are children of color, and by 2042 our nation will have no clear racial or ethnic majority, a year in which these children will be in the prime of their working lives. Reporters, pundits, or policymakers interested in America's economic competitiveness may want to note the importance of creating pathways to opportunity for today's and tomorrow's diverse workforce.

Press resources: Stories behind the statistics

As noted above, policies such as unemployment insurance and the Supplemental Nutrition Assistance Program keep millions of American children and families out of poverty each year, particularly in the aftermath of the Great Recession of 2007 to 2009. Millions more are able to make ends meet with the help of the earned income and child tax credits and work supports such as child care and housing assistance. Cuts to these essential programs through sequestration or through the adoption of the most recent budget proposed by Rep. Paul Ryan (R-WI), the House Budget Committee chairman and Republican vice presidential candidate, would devastate real families struggling to pay bills and put food on the table.

As press seeks to cover the policy implications of the poverty data, Half in Ten, a project of the Center for American Progress Action Fund; The Leadership Conference on Civil and Human Rights; and the Coalition on Human Needs can provide access to clients of these support programs and service providers who administer them, who can speak to the role these programs have played in their lives and what the poverty numbers look like in human terms. To contact one of our storytellers, please email Katie Wright at kwright@americanprogress.org.

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