13

Poverty

***Goal:** This unit provides information on poverty ranging from measurements and causes to policy debates and solutions.*

A. Defining Poverty.

Definitions of poverty range from narrow economic to broader social terms. In economic terms, poverty is the state of having little or no money and few or no material possessions. More broadly poverty refers to a level of material deprivation that is greater than subsistence living. Even more generally poverty has been described as a condition of not having the means to address basic human needs such as clean water, nutrition, health care, education, clothing and shelter. Regardless of the definition, poor individuals suffer physically, emotionally and socially.

On the international front, The World Bank defines poverty as not having enough to eat, the lack of shelter, not being able to see a doctor when sick, not having access to school, not knowing how to read, not having a job, lack of access to clear water, living one day at a time, fear for the future, powerlessness, lack of representation and freedom.

The poor are not a single homogenous group. They include people without jobs who live far below or just below the federal poverty line. The poor also includes people with jobs, known as the working poor. In hard economic times, more and more working and middle-class people fall into poverty for the first time. Today some refer to this group as the new poor.

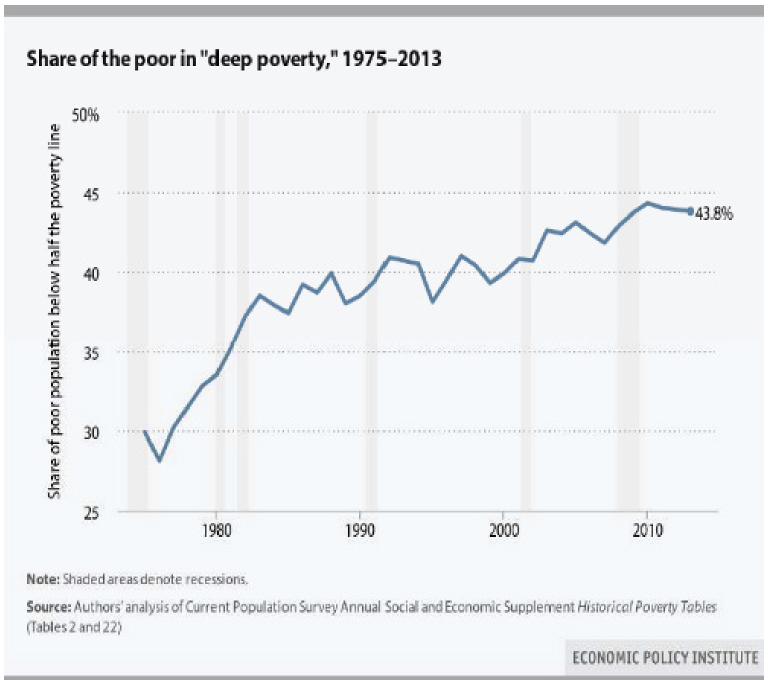

Fig. 13.1 Growing Share in Deep Poverty Share of poor below half the poverty line, 1975-2013[1]

Working Poor is a term used to describe individuals and families who maintain regular employment but whose earnings fall below the federal poverty line due to low pay, lack of fringe benefits, little job security and dependent expenses. For this group, "work does not pay." The working poor are typically distinguished from the jobless poor who are supported by government aid or charity. Both groups often seek cash benefits and social services.

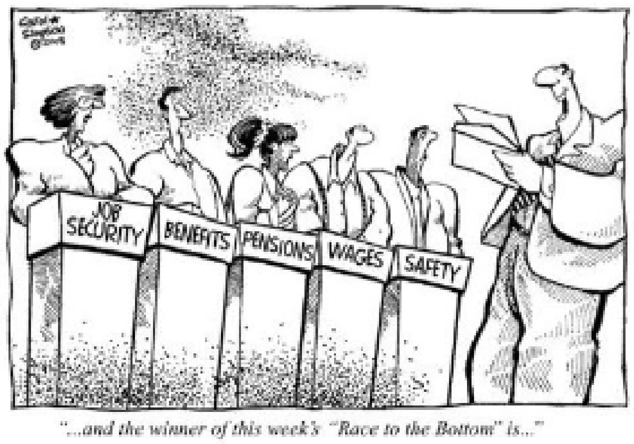

Fig.13.2 Race to the Bottom.[2]

RESOURCE:
"Faces of the Working Poor"
Living on the Edge: Poverty in America
https://www.youtube.com/watch?v=do1QDRlhiEE

B. Measuring Poverty

Most people have an inherent sense of what it means to be poor. But choosing a definition is much trickier. Is poverty an absolute or relative condition? What is a decent standard of living? In the United States, the federal government has a developed poverty line to count the poor, to show how the numbers have increased or decreased over time, and to plan anti-poverty programs. Most measurements of poverty focus primarily or exclusively on income and use one of two standards to measure poverty absolute or relative measures.

1.Absolute measures of poverty set an income threshold below which an individual or family is considered to be poor, regardless of general living standards. While it is unlikely that poverty will actually disappear, it is true that using the fixed or absolute poverty measure means that the number of people counted as poor can diminish leading to the conclusion that poverty has successfully been reduced. The ability to lower the number of people considered to be living in poverty is one reason that elected officials and policy makers favor the absolute measure.[3]

2. Relative measures typically set the poverty level at a percent of median income or some measure the floats with changing economic condition. Therefore, the number of people counted as poor varies with the economic fortunes of the population as a whole. By this measure, the poor are those who lack what is needed by most Americans to live decently because they earn less than a specified percentage of the nation's median income, typically 40 to 60 percent. Based on this standard over the past several years, approximately 20% of Americans live in poverty. Using this measure, which follows changes in the overall level of income, some people will always be poor. With this measure, the poor can be defined as having significantly less income and wealth than other members of society making it rough measure of income inequality. Using the relative measure is more difficult to show that poverty has been reduced or eradicated.[4]

3. The U.S. Poverty Line. The U.S. uses an absolute poverty measure developed in the 1960s to accompany the War on Poverty. At this time families spent about one-third of their income on food. Therefore the federal government set the official poverty line by multiplying these food costs by three. If a family's total income is less than this threshold, then that family and every individual in it is considered living in poverty. This multiple is still used but no longer reflects the impact of different expenses. The federal poverty level is adjusted by family size but does not vary geographically. It does not take into account cost-of-living differences between families living in rural or urban communities. Despite such differences the income threshold for poverty is the same in New York City as it is in rural West Virginia. The standard poverty threshold has not been revised to reflect the reality that U.S. households now spend only about 13% of their income on food rather than one third. The cost of health care, housing, and energy have risen and new costs such as child are have become commonplace but are not included when calculating the federal poverty line. The federal poverty line is only updated annually using the Consumer Price Index (CPI-U).

Persons in family/household	Poverty guideline
1	$11,670
2	15,730
3	19,790
4	23,850
5	27,910
6	31,970
7	36,030
8	40,090
For families with more than 8 persons, add $3,740 for each additional person	

Figure 13.3 The 2014 Poverty Guidelines for the 48 Contiguous States and the District of Columbia [5]

In 2013, 14.5% of all Americans lived in poverty (up from 12.1. % in 2002). Initially the poverty rate tended to decline year by year. The 1959 rate of 22.4% dropped to 11.1% in 1973. During this period of more active government involvement, the economy grew and poverty fell. However in the mid-1970s, the poverty rate started to rise and reached an all-time high of 15.2% in 1983. The rate hovered between 13% and 15% during the 1980s and 1990s. It dropped to 11.3 % in 2000, following the economic boom of the late 1990s. It rose to 15% in 2012. The drop to 14.5% in 2013 was not statistically significant.[6]

C. The Racial Divide

Poverty Rates have always varied by race. In 2013, 27.2% of African Americans, 23% of people of Hispanic origin, 10.5% of Asians and 9.6% of White (non-Hispanic) were poor. This pattern of poverty rates for persons of color that are twice as high a poverty rates for White persons has not changed much over the years.[7]

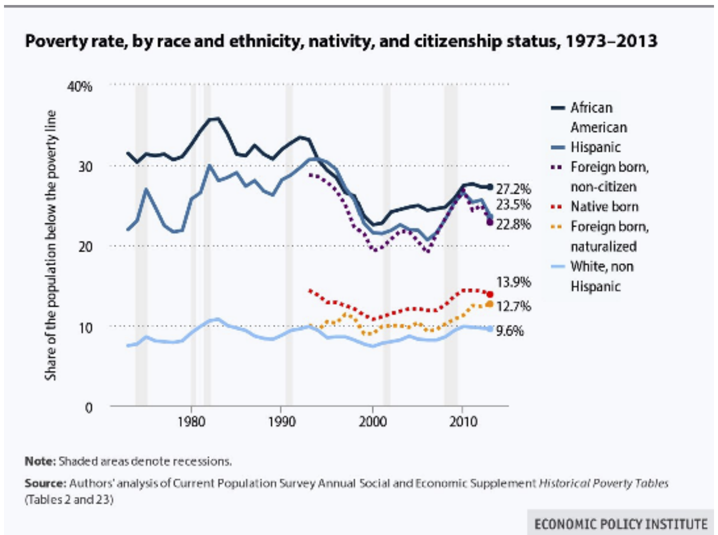

Figure 13.4 Poverty rate, by Race, Ethnicity, Nativity and Citizenship Status [8]

Median Income. In a 2013, the median income for all households was $51.939. The median income also varies by race. In 2013 Asians earned $67,065, White (non-Hispanic) $58,270, and African Americans $34,595.[9] The Role of Family Structure.

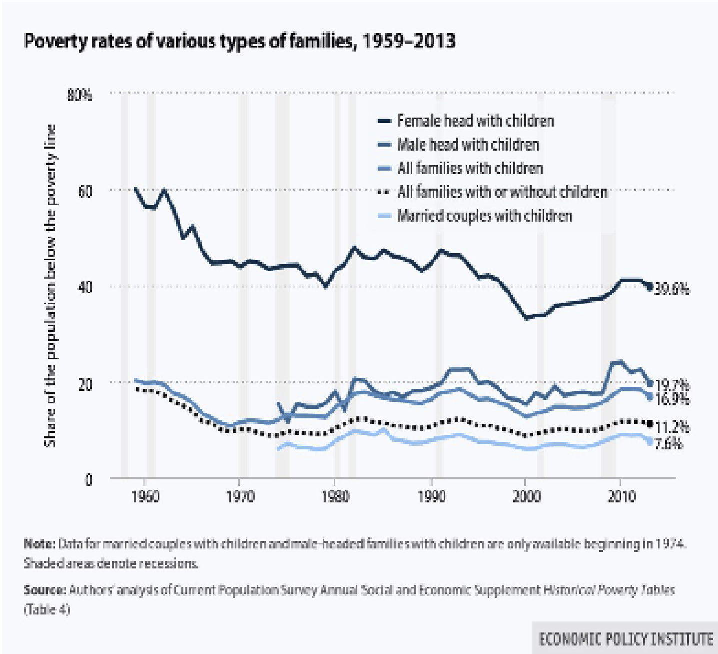

Fig. 13.5 Poverty rates of types of various families, 1959-2013[10]

D. The Gender Divide

Poverty Rates. The poverty rate for adult women has been substantially higher than for adult men in every year since the government began measuring poverty. In 2013, more than one in seven women, nearly18 million lived in poverty. The poverty rate among women was 14.5% in 2013, the same as 2012 and the highest rate in two decades. In contrast 11.0 adult men lived in poverty in 2013 also unchanged from 2012. More than half (58.8%) of poor children lived in female-headed families in 2013 — a statistically larger share than in 2012 (56.1%).

Poverty rates were particularly high for women who head families (39.6 percent), African American women (25.3 %), Hispanic women (23.1 %), and women 65 and older living alone (19.0 %). Poverty declined for Hispanic women between 2012 and 2013; among these groups, they were the only one to see a statistically significant change.

More than two-thirds (68.1 %) of elderly poor are women. The poverty rate for women 65 and older increased to 11.6 % in 2013 from 11.0 in 2012, a statistically significant change.

E. Alternative Poverty Measures

It is widely acknowledged that the federal poverty measure in the U.S. seriously understates how much it takes to support a family. Therefore researchers have developed alternative measures that more realistically quantify basic living costs in specific localities.

1. Supplemental Poverty Measure (SPM). The National Academy of Sciences introduced its new Supplemental Poverty Measure (SPM) in 2011. The SPM will not replace the Federal Poverty Line. Instead it will provide a new and improved measure of how many people are living in poverty in the U.S. The SPM was piloted for local use by the New York City Center for Economic Opportunity (CEO).[11]

The SPM estimates the cost of food, clothing, shelter and utilities, then adds a further 20% for other expenses. This threshold is adjusted for the cost of living in different regions and for whether a family owns or rents its home. To assess a household's ability to pay for basic expenses, the SPM counts cash income as well as food stamps, tax credits and other government support, minus tax payments, work expenses and out-ofpocket medical costs.[12] Using the SPM the overall poverty rate was higher than the official poverty rates, but for some groups it was lower (See Figure 13.6).

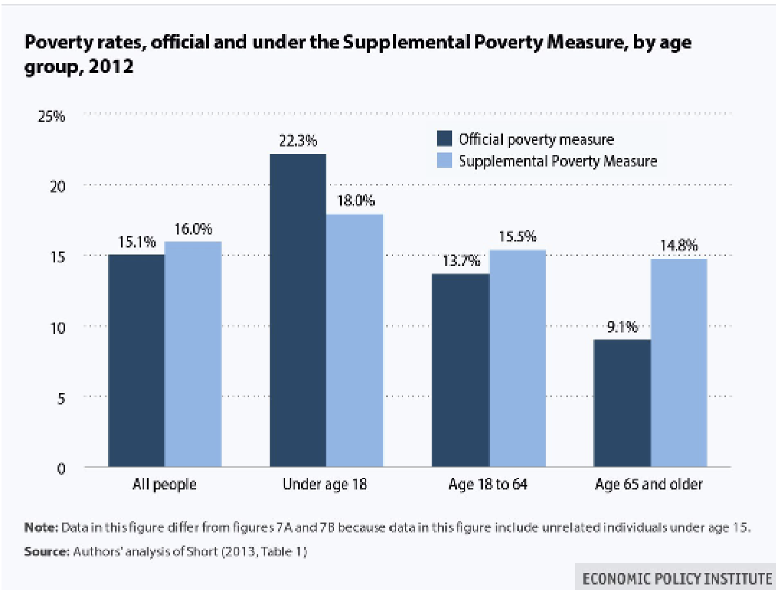

Fig 13.6. Poverty rates, Official and Under the Supplemental Poverty Measure, by Age Group 2012 [13]

Measures Matter. The following chart shows the poverty rate by age Group, official and under the Supplemental and two relative measure of poverty. While children under age 18 have the highest poverty rate for all measures, this rate is considerable higher when poverty is counted based on income that is 60% of the median income. This relative poverty measure reveals the highest poverty rates for all age groups.

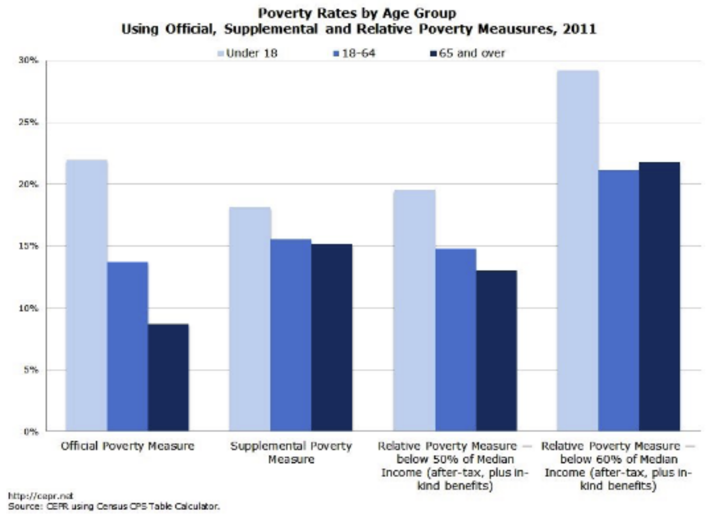

Figure 13.7 Poverty Rates by Age Group Using Official, Supplemental and Relative Measure of Poverty, 2011. [14]

2. The Self Sufficiency Standard 2010 (SSS) was developed by Diana Pierce, Director of The Center for Women's Welfare at the University of Washington School of Social Work in Seattle. The Center has calculated the SSS for many cities, including New York City. The Standard includes the cost of six basic needs common to working families: housing, child care, food, health care, transportation and miscellaneous items as well as the cost of taxes and the impact of the tax credit. The SSS is not a poverty line. It does not say how many people are poor. Rather it provides a detailed measure of what it takes to make ends meet in each of the five boroughs of New York City. That is, it reflects the standard of living. The NYC Self Sufficiency Standard was published by The Women's Center for Education and Career Advancement (WCECA).[15]

F. How Does The Government Address Poverty?

Poverty brings harm to individuals and families but also to communities and to the wider society. Governments can create policies to mediate the impact of market forces on economic well-being. The 1935 Social Security Act enacted in the middle of the Great Depression is one such policy.

The programs began by the 1935 Social Security Act and the anti-poverty initiatives that followed (i.e. War on Poverty, the Great Society, among others), established the major programs that continue to this day proving a safety net to ameliorate extreme poverty. These include universal social insurance programs that are administered by the federal government and selective public assistanceprograms administered through federal-state partnerships. Groups of people not covered by either of these two federally funded programs are dependent on state and local programs for as-sistance.

The key difference between the two types of programs is that the universal programs provide benefits to individuals and families regardless of income, whereas the selective measures are designed solely for the poor and have an income threshold. Some universal and selective programs are also referred to as categorical programs because they serve particular groups of people, such as single mothers, veterans, the working poor, elderly individuals, or persons with disabilities.

1. **Universal Programs** reflect the idea that living and working in an industrial society entails risks over which individuals have little or no control. In the U.S., most of the universal programs follow the social insurance model. Like private life, health, automobile, and homeowner's insurance, social insurance programs reflect the advantages of pooled protection against known risks such as the loss of income due to unemployment, old age, illness, disability, and death of a breadwinner. The nation's three main social insurance programs provide retirement pensions (Social Security), unemployment compensation (Unemployment Insurance) and medical care reimbursement (Medicare).

2. **Selective Programs** reflect the ideal that scarce public resources should be targeted to those most in need and offered on a temporary or emergency basis. Therefore, applicants for the programs must establish need, typically by proving that their income and assets fall below a specified amount. Many income maintenance and social service programs fall into the selective group. The nation's means-tested income support programs include direct cash assistance programs (Temporary Aid to Needy Families, Supplemental Security Income, and general assistance) and non-cash income support programs (Supplemental Nutrition Assistance Program, public housing, and Medicaid). Selective programs tend to be funded by some combination of federal and state income tax revenues (paid by individuals and corporations). Policy makers often refer to these selective programs as the nation's safety net because, at least in theory, they together catch people before they plunge totally into poverty.

Harold L. Wilensky and Charles H. Lebeaux (1965)[16] capture this difference by distinguishing between institutional and residual approaches to social welfare. The institutional approach assumes that everyone living or working in a modern economy at some time will face the risk of losing income due to age, illness, disability, joblessness, change in family composition or the need for health, education, employment or other social services. This approach concludes societies need to develop permanent social welfare programs, by institutionalizing a social welfare system that helps people address these needs. The residual approach assumes that the except for emergencies, individuals, families and communities can and should address these basic needs on their own. Therefore societies only need a temporary and minimal social welfare system.

G. Impact of Government Spending On Poverty

Spending: The federal government devotes roughly one-sixth of its spending to10 major means-tested programs and tax credits, which provide cash payments or assistance in obtaining health care, food, housing, or education to people with relatively low income or few assets. Those programs and credits consist of the following:

In 2012, federal spending on those programs and tax credits totaled $588 billion. These programs include: Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), The Supplemental Nutrition Assistance Program (SNAP, formerly called the Food Stamp program), Child nutrition programs, Housing assistance programs and Pell grants. They also include Medicaid, the low-income subsidy (LIS) for Part D of Medicare (the part of Medicare that provides prescription drug benefits), the refundable portion of the earned income tax credit (EITC), the refundable portion of the child tax credit (CTC).[17] Larger federal benefit programs, such as Social Security and Medicare, are not considered means-tested programs because they are not limited to people with specific amounts of income or assets. If the share of dollars spent on low income households was includes the dollar figure would be higher.

Total federal spending on the 10 programs listed above (adjusted to exclude the effects of inflation) rose more than tenfold—or by an average of about 6% a year—in the four decades since 1972 (when only half of the programs existed). As a share of the economy, federal spending on those programs grew from 1% to almost 4% of gross domestic product (GDP) over that period.

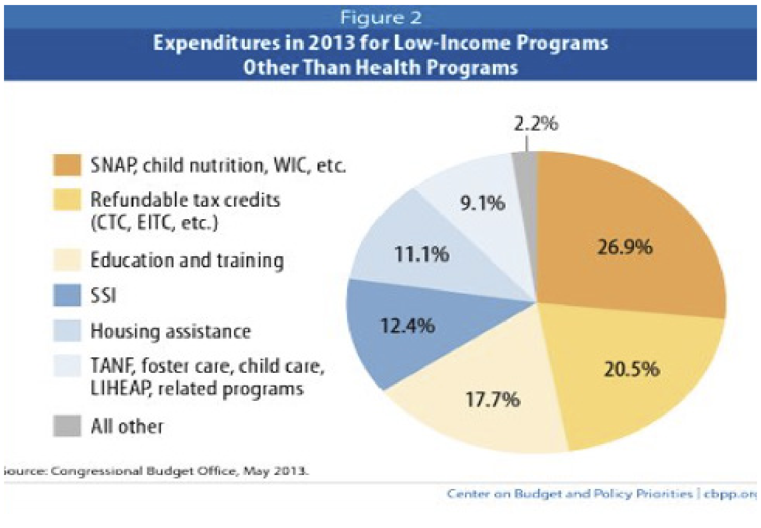

Figure 13.8 Low Income Program Spending as a % of all federal Spending on Low Income Programs, Other than Health, 2013.[18]

However, low-income programs are not driving the nation's long-term fiscal problems. In fact, virtually all of the recent growth in spending for low-income programs is due to two factors: (1) the economic downturn and (2) rising costs throughout the U.S. health care system, which affect costs for private-sector care as much as for Medicaid and other government health care programs.

The Center on Budget and Policy Priorities' recent examination of public benefits found that this spending is more effective in reducing poverty than previously known. When both the broad social insurance benefits (i.e. Social Security, Unemployment Insurance) and the means-tested programs targeted to lowincome people (i.e. TANF, SNAP, etc.) are considered, the safety net lifts tens ofmillions of people out of poverty. The programs help make work pay (by supplementing wages) and enable millions of American to get health care who otherwise could not afford it.

Fig. 13.9 Budget Cutting Madness [19]

In 2011 (the latest year for which comprehensive data is available), public programs lifted 40 million people of poverty including 9 million children (based on SPM) .Social Security lifted the largest number of people overall out of poverty. In 2011, SNAP also kept 4.7 million Americans, including 2.1 million children, out of poverty. The EITC kept 6.1 million Americans, including 3.1 million children, out of poverty. Unemployment Insurance kept 3.5 million Americans above the poverty line including nearly 1 million children. Medicaid and CHIP provided health insurance to 66 million Americans during 2010 — roughly 32 million children, 18 million parents, 10 million people with disabilities, and 6 million seniors.

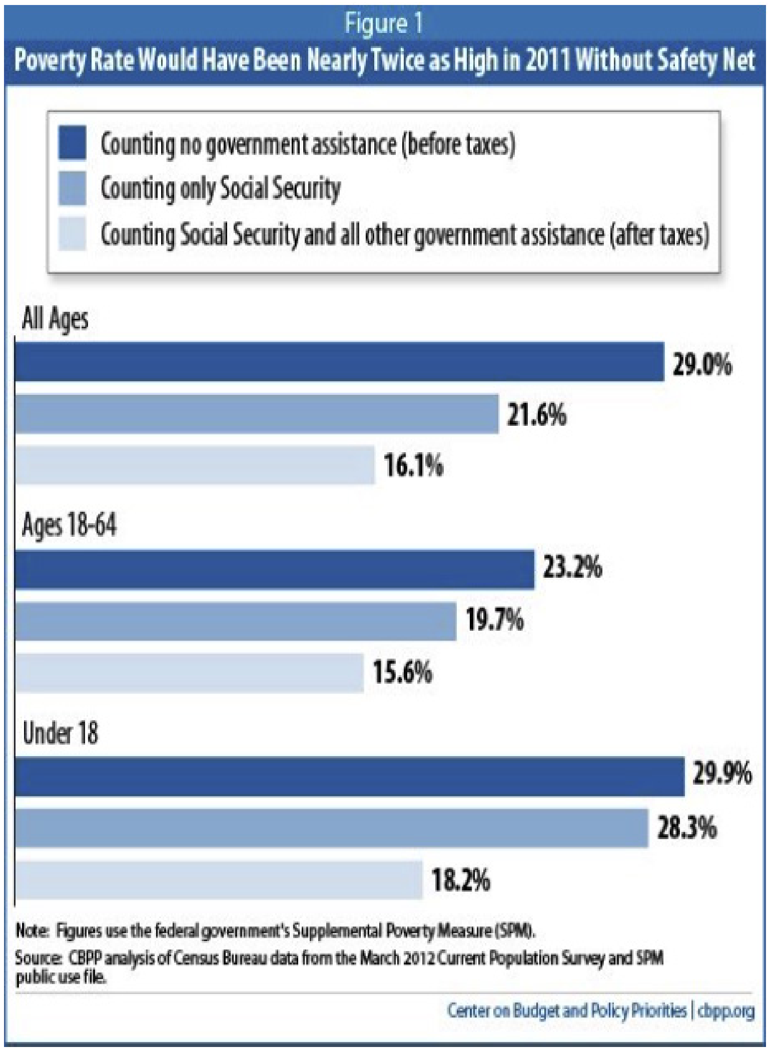

Fig. 13.10, Impact of Government Spending on Poverty [20]

H. Policy Debate: What Causes Poverty?

Poverty is an exceptionally complicated social phenomenon and people have strong and differing opinions as to why people become poor.[21]

1. Flawed individuals. Based on the notion that anything is possible in America, this view concludes that the poor cause their own poverty because they have the wrong values and attitudes and/or make the wrong choices. The poor have little concern for the future, prefer to "live for the moment," and willfully engage in self-defeating behavior such as refusing to work, having children outside marriage, taking drugs, committing crimes, engaging in unsafe sex and so on. Still others characterize the poor as fatalists who have resigned themselves to a culture of poverty in which nothing can be done to change their economic outcomes. In this culture of poverty — which is passed from one generation to the next — the poor feel negative, inferior, passive, hopeless, and powerless. The social welfare system causes the poverty rate to rise because cash assistance programs create disincentives to work and marry. Also, the social welfare system acts as an incentive for undocumented immigrants to enter the U.S. and use public services such as health care and public housing. In the final analysis, the poor are personally responsible for their own poverty or do too little to help themselves.

2. Flawed Institutions. A second view argues that while people may have made bad choices, run into bad luck or lack personal responsibility; they do not act in a vacuum. Rather the real trouble has to do with the workings of societal institutions that fail to provide equal access to needed resources and opportunities required to succeed in the market. This includes:

- labor markets that do not provide enough jobs for all those willing and able to work and/or that contain too many jobs that pay poorly, under-funded, overcrowded public schools that fail to educate children
- the lack of universal health care coverage
- the shortage of affordable housing, as well as weak enforcement of the nation's laws that bar discrimination on the basis of age, race, gender, sexual orientation, and disability.

The bottom line is that many middle and upper-class people make bad choices and behave irresponsibly, suggesting that poverty has less individualized causes, and that control over or access to resources shapes life chances. Most poor people are able and willing to work hard and they do so when given the chance. People are poor due to circumstances beyond their control and socio-environmental factors are part of the equation.

3. Flawed System. A third view argues that structural features built into the economy produce poverty. In this view: **1)** Poverty is inevitable in a market economy where profits depend on high rates of unemployment and weak unions that help to press wages down. In contrast, high wages, low unemployment, and strong unions protect people from falling into poverty and are also the basic requirements for successful family functioning and well-being. **2)** The forces of institutionalized racism, sexism, and heterosexism reflect power relationships that allow White people to dominate people of color, men to dominate women, and straight people to dominate gay people. Excluded from the societal mainstream, members of subordinated groups are denied the right or opportunity to a share of social output that is sufficient to lift them out of poverty. **3)** In contrast to the view that a culture of poverty is passed on from one generation to the next, the flawed system explanation argues that poverty is a product of accumulated disadvantage. Parents who are blocked from accumulating wealth and the benefits of opportunity have fewer building blocks to pass on to their children than more affluent parents.

For Discussion:

Ask the following Gallup Poll question to two people you know: "People who have income below a certain level can be considered poor. That level is called a poverty line. What amount of annual income would you use as a poverty line for a family of four (husband, wife, two children) living in this community?"

1. How does their answer compare to the official (U.S. government) 2010 poverty line of $22,050 for a family of four and $18,310 (family of three) and to the Self-Sufficiency Standard.

2. Discuss the difference between this estimate, the poverty line, and the Self-Sufficiency Standard with the people to whom you talked.

3. Indicate their reaction as well as your own to any discrepancies that emerged.

4. Ask the same people why they think the poor are poor? What do they think causes poverty? What do you think causes poverty?

NOTES
UNIT THIRTEEN

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