

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The top bulb is filled with a dark blue color, and the bottom bulb is filled with a light blue color. The globe is centered in the narrow neck of the hourglass.

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Report RL33069

Poverty in the United States: 2007

Thomas Gabe, Domestic Social Policy Division

August 27, 2008

Abstract. In 2007, 37.3 million people were counted as poor in the United States. The poverty rate, or percent of the population considered poor under the official definition, was reported at 12.5%. The incidence of poverty varies widely across the population, according to age, education, labor force attachment, family living arrangements, and area of residence, among other factors. Under the official poverty definition, an average family of four was considered poor in 2007 if its pretax cash income for the year was below \$21,203.

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CRS Report for Congress

Poverty in the United States: 2007

Updated August 27, 2008

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Prepared for Members and
Committees of Congress

Poverty in the United States: 2007

Summary

In 2007, 37.3 million people were counted as poor in the United States. The *poverty rate*, or percent of the population considered poor under the official definition, was reported at 12.5%. The incidence of poverty varies widely across the population, according to age, education, labor force attachment, family living arrangements, and area of residence, among other factors. Under the official poverty definition, an average family of four was considered poor in 2007 if its pretax cash income for the year was below \$21,203. This report will be updated on an annual basis, following release of U.S. Census Bureau annual income and poverty estimates.

Supporting data are based on the following: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2007*; Current Population Report No. P60-235, August 2008; U.S. Census Bureau, *Income, Earnings, and Poverty Data From the 2007 American Community Survey*, ACS-09, August 2008; and, unpublished Census Bureau tables.

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Poverty in the United States: 2007

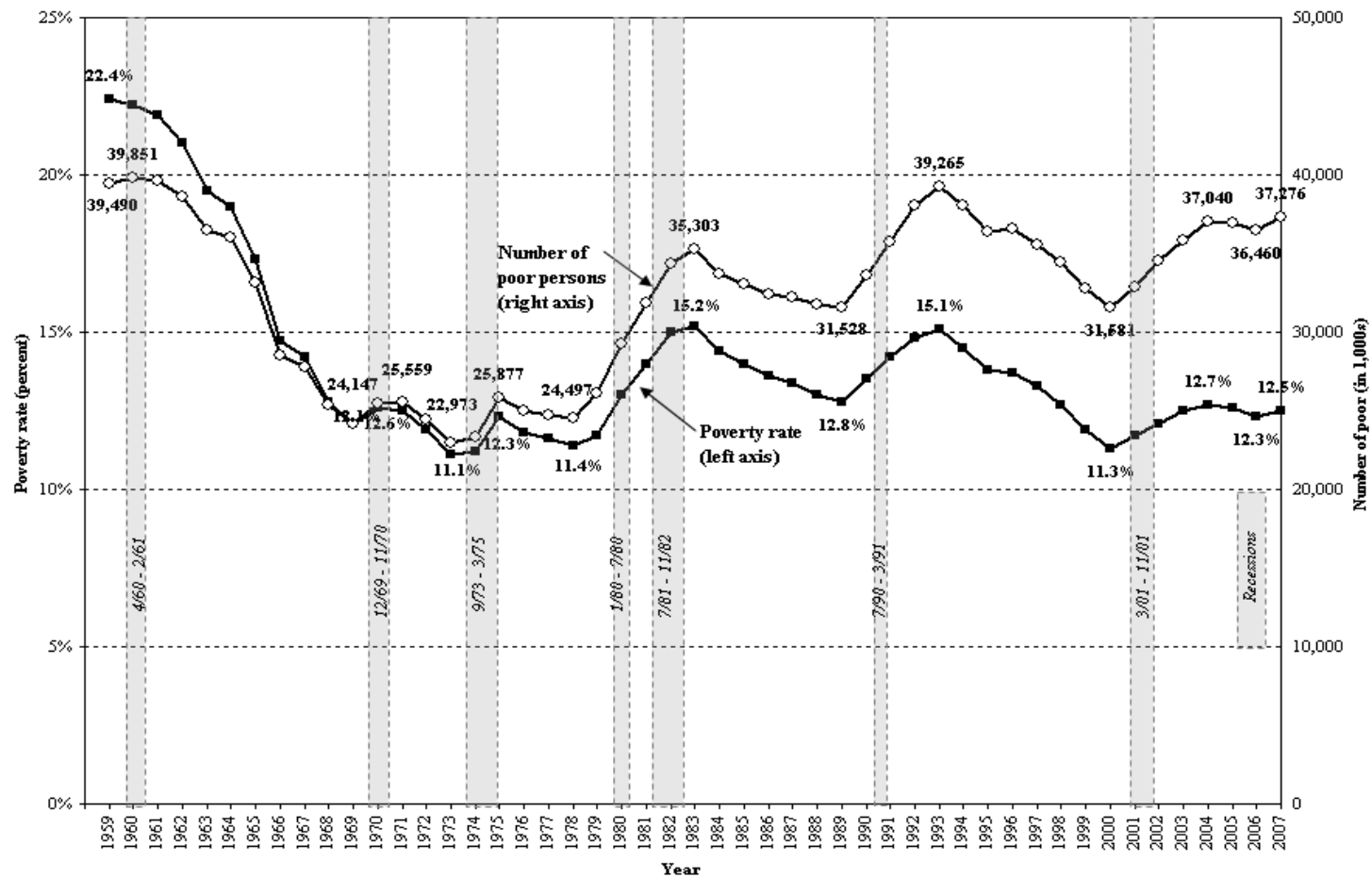
Trends in Poverty

The poverty rate tends to reflect changes in the economy in general, changes in the distribution of income within the economy, and changes in the composition of the U.S. population. The poverty rate, or percent of the population considered poor, was 12.5% in 2007 — statistically unchanged from that estimated in 2006 of 12.3%. In 2007, an estimated 37.3 million people were counted as poor — a statistically significant increase from the 36.5 million estimated as poor in 2006. The 2007 poverty rate of 12.5% was still well below the most recent peak of 15.1%, in 1993. A strong economy during most of the 1990s is generally credited with the declines in poverty that occurred over the later half of the decade, resulting in a record-tying historic low poverty rate of 11.3% in 2000 (a rate statistically tied with the previous lowest recorded rate of 11.1% in 1973). The poverty rate increased each year from 2001 through 2004, a trend generally attributed to the economic recession that occurred from March to November of 2001, but has yet to head back towards its pre-recession low. As shown in **Figure 1**, with the exception of the recession in the early 1960s, poverty rates have tended to increase in periods corresponding to economic recession.

Changes in household and family composition, especially the growth in the number of single-parent families who tend to have a high incidence of poverty, have contributed to higher overall poverty rates, and especially higher rates of child poverty over the years.

Government income transfer programs have helped to reduce the incidence of poverty and the depth of poverty among the U.S. population. Social security in combination with a maturing pension system has helped greatly to reduce the incidence of poverty among the aged over the years. In contrast to social security, cash welfare programs, which are targeted on the poor, tend to lift few families' incomes above the poverty line, but in combination with other noncash aid, such programs help to reduce the depth of income and material deprivation poor families incur.

Figure 1. Trend in Poverty Rate and Number of Poor Persons: 1959-2007



Source: Figure prepared by the Congressional Research Service using U.S. Census Bureau. "Income, Poverty, and Health Insurance Coverage in the United States: 2007." Table B-1. Current Population Report P60-235. August 2008. Available at [<http://www.census.gov/prod/2008pubs/p60-235.pdf>].

Changes in cash welfare programs implemented since passage of the 1996 welfare reform law (Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), P.L. 104-193) continue to be assessed in terms of their possible impacts on economically vulnerable populations.¹ The welfare reform law ended the Aid to Families with Dependent Children (AFDC) program, replacing it with the Temporary Assistance for Needy Families (TANF) program.² Among other features, TANF sets a five-year lifetime limit on receipt of cash assistance (allowing lower limits at state option), imposes strong work requirements, and allows states to impose sanctions reducing or denying benefits to families who fail to comply with program requirements.

Definition of Poverty

The Census Bureau's poverty thresholds form the basis for statistical estimates of poverty in the United States.³ The thresholds reflect crude estimates of the amount of money individuals or families, of various size and composition, need per year to purchase a basket of goods and services deemed as "minimally adequate," according to the living standards of the early 1960s. The thresholds are updated each year for changes in consumer prices. In 2007, for example, the average poverty threshold for an individual living alone was \$10,590; for a two-person family, \$13,540; for a family of four, \$21,203.

Persons are considered poor, for statistical purposes, if their family's countable money income is below its corresponding poverty threshold. Annual poverty estimates are based on a Census Bureau household survey (Current Population Survey) conducted each March. The official definition of poverty counts most sources of money income received by families during the prior year (e.g., earnings, social security, pensions, cash public assistance, interest and dividends, alimony and child support, among others). For purposes of officially counting the poor, noncash benefits (such as the value of Medicare and Medicaid, public housing, or employer provided health care) and "near cash" benefits (e.g., food stamps) are not counted as income, nor are tax payments subtracted from income, nor are tax credits added (e.g., Earned Income Tax Credit (EITC)).

There is mounting interest in including the value of noncash benefits and tax credits when assessing progress against poverty. These benefits represent a growing share of assistance to the poor. In FY2007 the federal government provided an estimated \$30.4 billion in Food Stamp benefits, most of which went to poor

¹ See CRS Report RL30797, *Trends in Welfare, Work and the Economic Well-Being of Female-Headed Families with Children: 1987-2005*, by Thomas Gabe.

² See CRS Report RS20807, *Short History of the 1996 Welfare Reform Law*, by Joe Richardson and Vee Burke.

³ The Department of Health and Human Services (HHS) releases poverty income guidelines that are similar to the census poverty thresholds. These guidelines are used by HHS and other federal agencies for administering programs, particularly determining program eligibility.

households. The EITC program is the fastest growing form of cash aid for children. In FY2007, the Treasury paid an estimated \$36.5 billion in EITC to families with relatively low earnings who owed no income tax. Neither Food Stamp benefits nor the EITC are counted as income under the official poverty definition. The Census Bureau provides a variety of alternate measures of poverty, based on various combinations of cash, noncash, and after tax income. These alternative measures are still considered experimental; none have displaced the official measure.

The **poverty rate** is the estimated percentage of the national population living alone or in families whose money income is below the poverty threshold. Under an alternate *experimental* definition of poverty, the poverty rate would be lower than under the *official* definition of poverty, based on pre-tax cash-income. Using a more comprehensive definition of income measured against the poverty line (one which includes the value of noncash benefits and the effect of taxes) the estimated poverty rate would have been 10.3% in 2005⁴, as opposed to 12.6% under the official measure in 2005.

Major changes to the way in which poverty is defined and measured in the U.S. have been recommended by a congressionally commissioned study conducted by a National Academy of Sciences (NAS) panel of experts.⁵ The NAS panel recommended that the poverty level be reset to take into account improvements in the U.S. standard of living that have occurred over the past 40-plus years (i.e., since the current poverty measure was originally devised). The Academy recommended that noncash benefits, taxes, and tax credits be counted with cash income, and that certain expenses (e.g., work related child care expenses, housing, and out of pocket medical expenses) be deducted from income in determining families' poverty status. The effect of these, and other changes, would result in comparatively more working families being counted as poor. The NAS panel also recommended that the poverty income levels be adjusted for area cost of living differences. The current poverty income thresholds are uniform across the 50 states and the District of Columbia. Most experts agree that the current measure underestimates the extent of poverty in high cost of living areas. If adopted, a cost of living adjustment to the poverty thresholds would result in comparatively higher levels of measured poverty in the Northeast and West, compared to the South and Midwest.

⁴ Alternative poverty estimates for 2007 will not be available until late fall, 2008. Alternative poverty estimates for 2005 are from U.S. Bureau of the Census, *The Effect of Taxes and Transfers on Income and Poverty in the United States: 2005*, Current Population Report No. P60-233 [<http://www.census.gov/prod/2007pubs/p60-232.pdf>].

⁵ For estimates of the effects of the NAS panel recommendations, see U.S. Bureau of the Census. *Experimental Poverty Measures: 1999*. Current Population Report No. P60-216, October 2001.

Poverty Among Selected Groups

Even during periods of general prosperity, poverty is concentrated among certain groups and in certain areas. Minorities, women and children, the very old, the unemployed, those with low levels of educational attainment, low skills or disability, among others, are especially prone to poverty.

Racial and Ethnic Minorities⁶

African Americans and Hispanics have poverty rates that exceed the white poverty rate by several times. In 2007, 24.5% of blacks (9.2 million) and 21.5% of Hispanics (9.9 million) had incomes below poverty, compared to 8.2% of non-Hispanic whites (16.0 million) and 10.2% of Asians (1.3 million). Although blacks represent only 12.6% of the total population, they make up 24.8% of the poor population; Hispanics, who represent 15.4% of the population, account for 26.5% of the poor.

Children⁷

In 2007, 12.8 million children (17.6%) were poor — a statistically significant increase in the number poor (up from 12.3 million) and in the poverty rate (up from 16.9%) from 2006. The lowest recorded rate of child poverty was in 1969, when 13.8% of children were counted as poor. Children living in single female-headed families are especially prone to poverty. In 2007, a child living in a single female-headed family was five times more likely to be poor than a child living in a married-couple family. In 2007, 43.0% of all children living in single female-headed families were poor. In contrast, 8.5% of children living in married-couple families were poor. The increased share of children who live in single female-headed families has contributed to the high overall child poverty rate. In 2007, 24.1% of children were living in female-headed families, about double the share who lived in such families when the *overall* child poverty rate was at its historic low (1969). Among all poor children, nearly six in ten (58.9%) lived in female-headed families in 2007.

In 2007, 34.3% of black children were poor (3.8 million), compared to 28.3% of Hispanic children (4.3 million) and 9.7% of white non-Hispanic children (4.0 million). Among children living in single female-headed families, the poverty rate for black children was 50.4% and for Hispanic children, 51.6%; non-Hispanic white children in such families had a poverty rate of 32.4%. The poverty rate among

⁶ Beginning with the March 2003 CPS, the Census Bureau allows survey respondents to identify themselves as belonging to one or more racial groups. In prior years, respondents could select only one racial category. Consequently, poverty statistics for different racial groups for 2002 and after are not directly comparable to earlier years' data. The term blacks and whites above, refers to persons who identified with only a single racial group. The term Hispanic refers to individuals' ethnic, as opposed to racial, identification. Hispanics may be of any race.

⁷ Related children in families. For an in-depth discussion of child poverty, see CRS Report RL32682, *Children in Poverty: Profile, Trends, and Issues*, by Vee Burke, Thomas Gabe, and Gene Falk.

Hispanic children who live in married-couple families (19.2%) was over one-and-three-quarters higher than that of black children (11.0%), and more than four times that of white non-Hispanic children (4.7%) who live in such families. Contributing to the high rate of overall black child poverty is the large share of black children who live in single female-headed families (55.3%) compared to Hispanic children (26.4%) or white non-Hispanic children (15.7%).

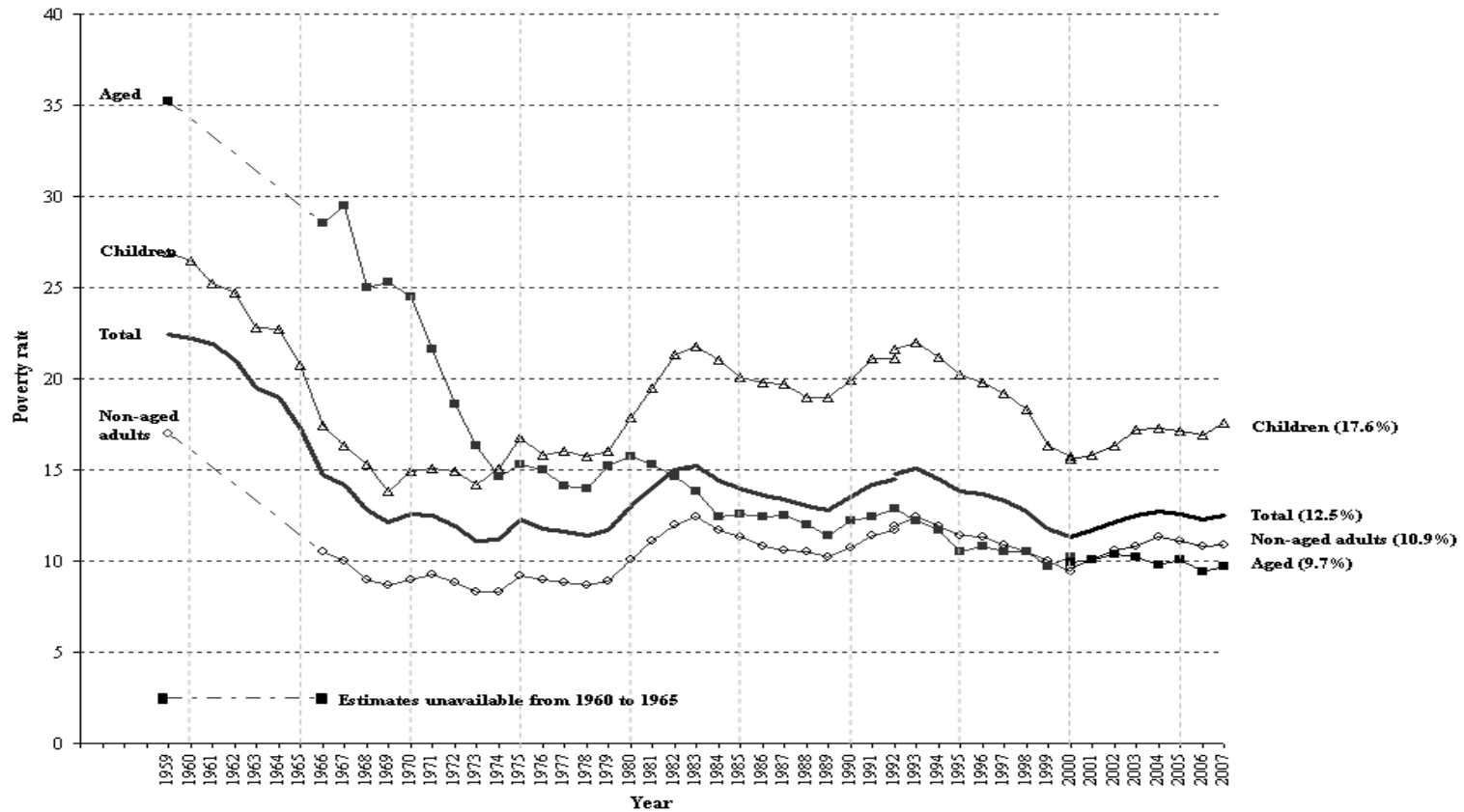
Adults with Low Education, Unemployment, or Disability

Adults with low education, those who are unemployed, or who have a work-related disability are especially prone to poverty. In 2007, among persons age 25 to 34, 33.0% who had no high school diploma were poor, compared to 15.8% who had a high school diploma only and 4.3% who had at least a bachelor's degree. (About 12% of 25 to 34 year-olds lack a high school diploma.) Among persons between the ages of 16 and 64 who were unemployed in March 2008, 23.1% were poor based on their families' incomes in 2007; among those who were employed, 5.6% were poor. In 2007, persons who reported a work disability represented 10.3% of the age 16 to 64 population, and 26.4% of the poor population within this age range. Among those with a severe work disability, 33.4% were poor, compared to 13.5% of those with a less severe disability and 9.1% who reported having no work-related disability.

The Aged

The poverty rate of persons age 65 and older in 2007 was 9.7% (3.6 million poor). The poverty rate among the aged in 2007 was statistically tied with its historic low rate of 9.4% in 2006. Among those age 75 and over, 10.6% were poor in 2007, compared to 8.8% of those age 65 to 74. Although the aged poverty rate tends to be lower than the child poverty rate, many of the aged live just slightly above the poverty line. As measured by a slightly raised poverty standard (125% of the poverty threshold), 16.1% of the aged could be considered poor or "near poor," 14.0% who are age 65 to 74, and 18.4% who are 75 years of age and over. In comparison 23.8% of children (persons under age 18) could be considered poor or "near poor."

Figure 2. U.S. Poverty Rates by Age Group, 1959-2007



Source: Figure prepared by the Congressional Research Service using U.S. Census Bureau. "Income, Poverty, and Health Insurance Coverage in the United States: 2007." Tables B-1 and B-2. Current Population Report P60-233. August 2008. Available at [http://www.census.gov/prod/2008pubs/p60-235.pdf].

Receipt of Welfare Among the Poor

About two thirds of persons (67.8%) who were poor in 2006⁸ lived in households that received any means-tested assistance during the year. Such assistance could include cash aid, such as: Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI) payments, Food Stamps, Medicaid, subsidized housing, free or reduced price school lunches, and other programs. In 2006, only 19.5% of poor persons lived in households that received *cash aid*, 37.6% received Food Stamps, 54.6% where one or more household members were covered by Medicaid, and 16.5% lived in subsidized housing. Poor single-parent families with children are among those families most likely to receive cash aid. Among poor children who were living in single female-headed families, 27.5% were in households that received government cash aid in 2006. The share of poor children in single female-headed families receiving cash aid is well below historical levels. In 1993, 70.2% of these children's families received cash aid. In 1995, the year prior to passage of sweeping welfare changes under PRWORA, 65% of such children were in families receiving cash aid.

The Geography of Poverty

Poverty is more highly concentrated in some areas than in others, about twice as high in center cities as in suburban areas and nearly three times higher in the poorest states than in the least poor states.

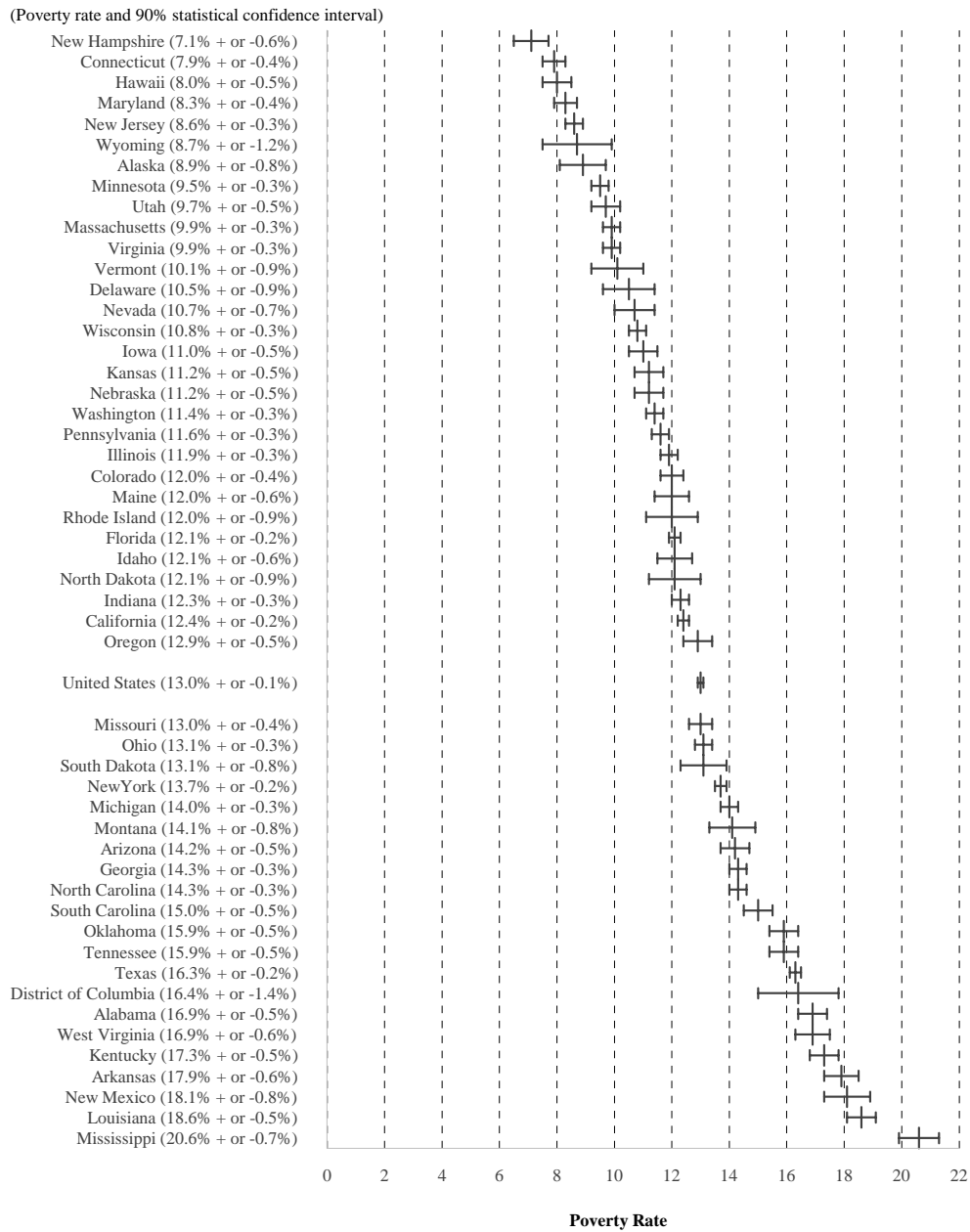
Within metropolitan areas, the incidence of poverty in central city areas is considerably higher than in suburban areas, 16.5% versus 9.0%, respectively, in 2007. Nonmetropolitan areas had a poverty rate of 15.4%. In 2003 (the most recent year's data available for this comparison), over one-third (34.8%) of the Nation's poor lived in neighborhoods of concentrated poverty (areas based on census tracts and minor civil divisions with a poverty rate of 20% or higher based on the 1990 census). Poor racial and ethnic minorities are more likely to live in areas of concentrated poverty than non-Hispanic whites. Among *poor* African Americans, 52.9% lived in areas of concentrated poverty; among *poor* Hispanics, 47.5%. In contrast, 18.8% of *poor* non-Hispanic whites lived in areas of concentrated poverty. In 2007, poverty rates were lowest in the Midwest (11.1%), Northeast (11.4%), and West (12.0%) and highest in the South (14.2%).

⁸ Census Bureau estimates for 2007 were not available at the time this report was produced. See [http://pubdb3.census.gov/macro/032007/pov/new26_002_01.htm].

Up to this point, the poverty statistics presented in this report come from the U.S. Census Bureau's Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). For purposes of producing state and substate poverty estimates, the Census Bureau now recommends using the American Community Survey (ACS) — because of its much larger sample size, the ACS produces estimates with a much smaller margin of statistical error than does the ASEC/CPS. However, it should be noted that the ACS survey design differs from the ASEC/CPS in a variety of ways, and produces somewhat different estimates than those obtained from the ASEC/CPS. For example, the ASEC/CPS estimates that 12.5% of the nation's population was poor in 2007, whereas the ACS estimates that 13.0% of the population was poor in the prior 12 months from when the survey was administered. The ACS estimates are based on income information collected between January and December 2007, for the prior 12 months. For example, for the sample with data collected in January, the reference period is from January 2006 to December 2006, and for the sample with data collected in December, from December 2006 to November 2007. The ACS data consequently cover a time span of 23 months, with the data centered at mid-December 2006.

Figure 3 shows estimated poverty rates for the United States and for each of the 50 states and the District of Columbia on the basis of the 2007 ACS. In addition to the point estimates, the figure displays a 90% statistical confidence interval around each state's estimate, indicating the degree to which these estimates might be expected to vary based on sample size. Although the states are sorted from lowest to highest by their respective poverty rate point estimates, the precise ranking of each state is not possible because of the depicted margin of error around each state's estimate. For example, New Hampshire would appear to have the lowest poverty rate (7.1%), but it overlaps with Connecticut (7.9%) and Hawaii (8.0%). Mississippi stands out as having the highest poverty rate (20.6%) and is followed by three states that appear to be statistically tied: Louisiana (18.6%), New Mexico (18.1%) and Arkansas (17.9%).

Figure 3. Poverty Rates for the 50 States and the District of Columbia: 2007 American Community Survey (ACS) Data



<http://wikileaks.org/wiki/CRS-RL33069>

Source: Figure prepared by the Congressional Research Service (CRS) on the basis of U.S. Census Bureau 2007 American Community Survey (ACS) data.

Appendix. U.S. Poverty Statistics: 1959-2007

Table 1. Poverty Rates for Selected Groups, 1959-2007

Year	All Persons	Related Children under Age 18 ^a			Adults		Race/Ethnicity ^b — All Ages			
		Total	In Female-Headed Families	In All Other Families	Ages 18-64	Age 65+	White ^b	White Non-Hispanic ^b	Black ^b	Hispanic
2007	12.5	17.6	43.0	9.5	10.9	9.7	10.5 ^b	8.2 ^b	24.5 ^b	21.5
2006	12.3	16.9	42.1	9.0	10.8	9.4	10.3 ^b	8.2 ^b	24.3 ^b	20.6
2005	12.6	17.1	42.8	9.3	11.1	10.1	10.6 ^b	8.3 ^b	24.9 ^b	21.8
2004r	12.7	17.3	41.9	9.7	11.3	9.8	10.8 ^b	8.7 ^b	24.7 ^b	21.9
2003	12.5	17.2	41.8	9.6	10.8	10.2	10.5 ^b	8.2 ^b	24.4 ^b	22.5
2002	12.1	16.3	39.6	9.2	10.6	10.4	10.2 ^b	8.0 ^b	24.1 ^b	21.8
2001	11.7	15.8	39.3	8.8	10.1	10.1	9.9	7.8	22.7	21.4
2000r	11.3	15.6	40.1	8.6	9.6	9.9	9.5	7.4	22.5	21.5
1999	11.8	16.3	41.9	9.0	10.0	9.7	9.8	7.7	23.6	22.8
1998	12.7	18.3	46.1	9.7	10.5	10.5	10.5	8.2	26.1	25.6
1997	13.3	19.2	49.0	10.2	10.9	10.5	11.0	8.6	26.5	27.1
1996	13.7	19.8	49.3	10.9	11.3	10.8	11.2	8.6	28.4	29.4
1995	13.8	20.2	50.3	10.7	11.4	10.5	11.2	8.5	29.3	30.3
1994	14.5	21.2	52.9	11.7	11.9	11.7	11.7	9.4	30.6	30.7
1993	15.1	22.0	53.7	12.4	12.4	12.2	12.2	9.9	33.1	30.6
1992r	14.8	21.6	54.6	11.8	11.9	12.9	11.9	9.6	33.4	29.6
1991r	14.2	21.1	55.5	11.1	11.4	12.4	11.3	9.4	32.7	28.7
1990	13.5	19.9	53.4	10.7	10.7	12.2	10.7	8.8	31.9	28.1
1989	12.8	19.0	51.1	10.4	10.2	11.4	10.0	8.3	30.7	26.2
1988r	13.0	19.0	52.9	10.0	10.5	12.0	10.1	8.4	31.3	26.7
1987r	13.4	19.7	54.7	10.9	10.6	12.5	10.4	8.7	32.4	28.0
1986	13.6	19.8	54.4	10.8	10.8	12.4	11.0	9.4	31.1	27.3
1985	14.0	20.1	53.6	11.7	11.3	12.6	11.4	9.7	31.3	29.0
1984	14.4	21.0	54.0	12.5	11.7	12.4	11.5	10.0	33.8	28.4
1983	15.2	21.8	55.5	13.5	12.4	13.8	12.2	10.8	35.7	28.1
1982	15.0	21.3	56.0	13.0	12.0	14.6	12.0	10.6	35.6	29.9
1981	14.0	19.5	52.3	11.6	11.1	15.3	11.1	9.9	34.2	26.5
1980	13.0	17.9	50.8	10.4	10.1	15.7	10.2	9.1	32.5	25.7
1979	11.7	16.0	48.6	8.5	8.9	15.2	9.0	8.1	31.0	21.8
1978	11.4	15.7	50.6	7.9	8.7	14.0	8.7	7.9	30.6	21.6
1977	11.6	16.0	50.3	8.5	8.8	14.1	8.9	8.0	31.3	22.4
1976	11.8	15.8	52.0	8.5	9.0	15.0	9.1	8.1	31.1	24.7
1975	12.3	16.8	52.7	9.8	9.2	15.3	9.7	8.6	31.3	26.9
1974	11.2	15.1	51.5	8.3	8.3	14.6	8.6	7.7	30.3	23.0
1973	11.1	14.2	52.1	7.6	8.3	16.3	8.4	7.5	31.4	21.9
1972	11.9	14.9	53.1	8.6	8.8	18.6	9.0	n/a	33.3	n/a
1971	12.5	15.1	53.1	9.3	9.3	21.6	9.9	n/a	32.5	n/a
1970	12.6	14.9	53.0	9.2	9.0	24.6	9.9	n/a	33.5	n/a
1969	12.1	13.8	54.4	8.6	8.7	25.3	9.5	n/a	32.2	n/a
1968	12.8	15.3	55.2	10.2	9.0	25.0	10.0	n/a	34.7	n/a
1967	14.2	16.3	54.3	11.5	10.0	29.5	11.0	n/a	39.3	n/a
1966	14.7	17.4	58.2	12.6	10.5	28.5	11.3	n/a	41.8	n/a
1959	22.4	26.9	72.2	22.4	17.0	35.2	18.1	n/a	55.1	n/a

Source: Table prepared by the Congressional Research Service using U.S. Bureau of the Census data.

Notes: r = Revised estimates. n/a = Not available.

- Beginning in 1979, restricted to children in primary families only. Before 1979, includes children in unrelated subfamilies.
- Beginning in 2002, CPS respondents could identify themselves as being of more than one race. Consequently, racial data for 2002 and after are not comparable to earlier years. Here, in 2002 and after, the term white means of white race alone and the term black means of black race alone. Hispanics, who may be of any race, are included among whites and blacks unless otherwise noted.