US Census: One third of US population poor or near-poor

By Debra Watson
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One hundred million US residents—one third of the US population—live in households with perilously low incomes, according to a recent report from the US Census Bureau. The shocking figures were derived from the Supplemental Poverty Measure (SPM), an alternate measure of poverty and income that was released in November.

The SPM has been under development by the Census Bureau, working with the National Academy of Sciences, since the mid-1990s. This is the first year it has been formally released. By law, it is not allowed to replace the official poverty level in determining funding levels for existing social programs.

Under the alternative measure the portion of the US population that is poor or near-poor rises to 33 percent, up from 25 percent under the Census Bureau's official measure.

In a comment to the *New York Times*, Trudi J. Renwick, the bureau's chief poverty statistician, said, "These numbers are higher than we anticipated. There are more people struggling than the official numbers show."

The term "near-poor" designates those with incomes above 100 percent but below 150 percent of the poverty level. A comparison released in September of the official poverty measure and the November SPM report showed the count of poor in America rise from 15.2 percent to 16 percent of the population. But the measure of near-poor rose much more substantially using the more scientifically based measure, from 10 percent under the official poverty statistics to nearly 17 percent with the supplemental measure.

Under the alternate measure, the portion of the population making up the near-poor was 51.4 million, or 16.8 percent of the population. This more than doubles the estimate of families in distress when added to the 16 percent considered living in poverty under the SPM data analysis released earlier.

Other disturbing statistics relating to poverty measures had already emerged over the past few months as the Census Bureau released poverty reports. Some 20.5 million people in the US, or 6.7 percent of the population, survive at 50 percent or less of the official poverty line. The number of destitute is the highest in the 35 years the Census Bureau has been keeping such records, surpassing the previous highs in 2009 and 1993.

With the SPM, the percentage of those in such "extreme" or "deep" poverty fell slightly, to 5.4 percent of households. But total poverty increased because large numbers considered near-poor under the official measure dropped into poverty with the SPM.

The official poverty threshold is itself below a baseline income that would allow meaningful participation in society. It is a derisory amount, based on a 50-year-old calculation that estimates the poverty threshold at three times the cost of a minimum food diet in 1963. According to discussion from the Census Bureau relating to the SPM, "The current poverty thresholds do not adjust for rising levels and standards of living that have occurred since 1965."

A few obvious examples demonstrate the inadequacy of relying on such dated methodology. Without access to the Internet or a cell phone, finding a job in America today is virtually impossible, not even taking into account the dismal job market. These everyday electronic necessities—which entail considerable initial and ongoing costs—were not even invented in the 1960s and thus beyond the consideration of a household budget a half century ago.

Further, growing inequality has considerably reduced the relative position of the poverty thresholds. According to Kathleen Short, who penned the Census Bureau comments explaining the 2011 SPM release, "The official thresholds were approximately equal to half of median income in 1963–64. By 1992, one half median income had increased to more than 120 percent of the official threshold."

While both the official and the supplemental surveys use data from the Census's Current Population Survey, the way the alternative measure is computed differs from the official poverty measure in three significant ways. It counts more income sources, including tax credits and non-cash benefits such as food stamps (now called the Supplemental Nutrition Assistance Program, or SNAP.)

In addition, it subtracts certain expenses that reduce income, including income and payroll taxes and out-of-pocket medical expenditures (called MOOP) and work expenses such as childcare. It employs a modestly revised poverty line that is set at $24,267 for a two-adult, two-child family in an average-cost community.

That poverty measure also takes into account local housing costs and family composition, according to a recent report from the Center for Budget and Policy Priorities (CBPP), a liberal Washington think tank.

In early November, CBPP Researcher Arloc Sherman explained the differences between the two Census Bureau poverty measures. He published research that adds credence to the evidence that fully one-third of the US population is in precarious financial straits, facing as never before the impact from the loss of critical income support from social programs that have been or are being slashed.

Using the SPM data he concluded, “If the government safety net as a whole (existing policies, as well as the temporary Recovery Act policies enacted earlier) had not existed in 2010, the poverty rate would have been 28.6 percent, nearly twice the actual 15.5 percent.” Even without the temporary increases (that are now expiring) just two major federal social programs, SNAP and unemployment insurance benefits, kept more than 3 million and 1 million people out of poverty in 2010, respectively.

Sherman estimated that six Recovery Act initiatives that have either expired or are reduced and set to expire over the next two years kept 6.9 million people above the poverty line in 2010.

The Making Work Pay tax credit, which expired at the end of 2010, kept another 1.5 million people out of poverty. Expansions in the duration and level of unemployment insurance benefits kept 3.4 million people out of poverty. Expansions in SNAP benefits (that have been or will be eliminated in steps by 2013) kept 1 million people out of poverty.

When the official measure was devised in 1963, legislation was being debated that would provide new federally funded relief to low-income families. In what then-President Lyndon Johnson was to label the War on Poverty, limited reforms were a response to the Civil Rights struggle, mass labor unrest, and the antiwar movement.

Now those vital social programs, including the vast entitlement programs Medicare, Medicaid, and SNAP, are under relentless attack in Washington. The failure of the bipartisan Joint Select Committee on Deficit Reduction, or “supercommittee,” tasked with making $1.2 trillion in spending cuts over the next 10 years, has only led to calls for further attacks on the most vulnerable layers of the population.

A final Democratic counteroffer included spending cuts of nearly $900 billion, including $225 billion from Medicare, mainly from elderly beneficiaries, $50 billion from Medicaid, and $100 billion from other social programs.

Medicare is the SNP income factor that affects the elderly the most, but one that consumers have little personal ability to control. Changing Medicare from fee for service to premium support would constitute a blow to the elderly not unlike the widespread shift from defined benefit pensions to defined contribution pensions over the past several decades.

Medical out-of-pocket costs (MOOP) have the biggest sole impact by far of the 11 factors identified under the recommended adjustments to income considered by the Census Bureau and the National Academy of Sciences.

MOOP impose staggering burdens on the general population, especially for those over 65, even though the current fee-for-service federal Medicare insurance program covers the latter.

The Census Bureau reported in November that SPM calculations of poverty (using 2009 data) went from 12 to 15.3 percent if out-of-pocket medical expenses were added into income calculations, along with the other 10 factors. The change is three times greater than the impact of factoring in Social Security and Medicare taxes deducted from workers’ paychecks.

For the elderly, out-of-pocket medical expenses accounted for increasing the poverty rate from 8.5 to 15.5 percent of over 65-year-olds, according to the analysis of the SNP data. This 7 percent adjustment to the poverty level for seniors has fully 10 times the effect of any other factor on seniors’ incomes.