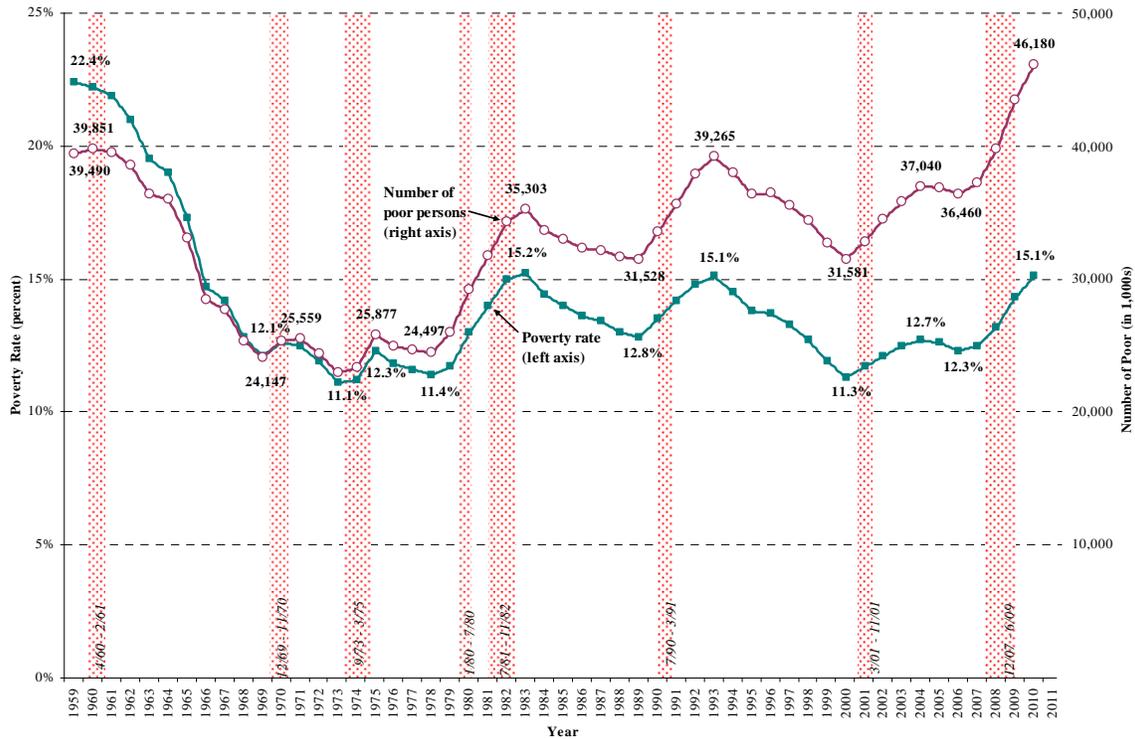


TRENDS IN POVERTY

- In 2010, 46.2 million people were counted as poor under the “official” U.S. poverty definition—the largest number recorded in the measure’s 52-year history. (See **Figure 1**.)
- In 2010, the “official” U.S. poverty rate, or share of the population counted as poor, stood at 15.1%, well above it’s most recent pre-recession low of 12.3% in 2006, and marking the highest level since seen in the past 17 years (1993).

Figure 1. U.S. Poverty Rate and Number of Poor Persons: 1959-2010,
(recessionary periods marked in red)



Source: U.S. Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2010,” Table B-1, Current Population Report P60-239, September 2011, available on the internet at <http://www.census.gov/prod/2011pubs/p60-239.pdf>. Recessionary periods defined by National Bureau of Economic Research Business Cycle Dating Committee: <http://www.nber.org/cycles/main.html>.

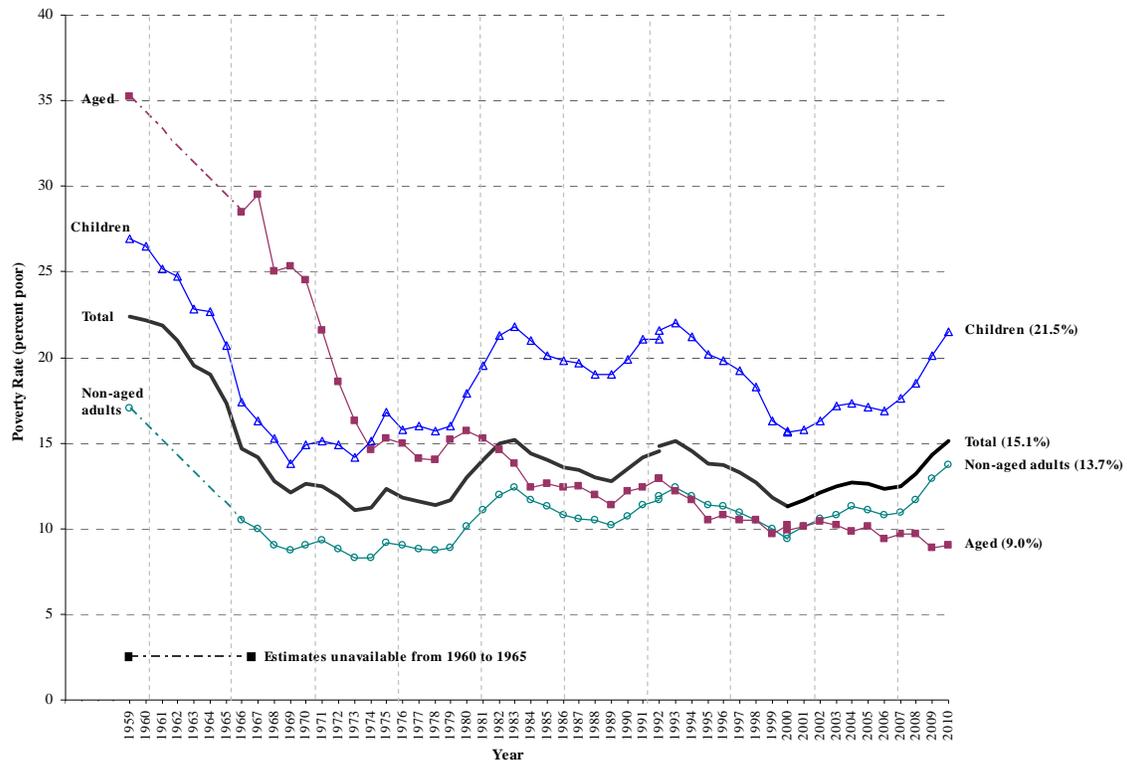
- Brookings Institution researchers (Monea and Sawhill¹) project that the U.S. poverty rate will not return to pre-recession levels over the course of this decade.

¹ Emily Monea and Isabel Sawhill, *An Update to “Simulating the Effect of the ‘Great Recession’ on Poverty,”* Brookings Institution, Washington, DC, September 13, 2011, available on the Internet at: http://www.brookings.edu/~media/Files/rc/reports/2011/0913_recession_poverty_monea_sawhill/0913_recession_poverty_monea_sawhill.pdf.

Trends in Poverty by Age Group

- Under the “official” U.S. poverty rate, the aged (persons age 65 and older) were once more likely to be poor than any other age group. In 1959, over one-third of the aged (35.2%) were poor, compared to over one-quarter (26.9%) of children. (See **Figure 2.**)
- All age groups saw their poverty rates fall over the 1960s, but by the early 1970’s progress towards reducing poverty ebbed, with poverty rates for only the aged generally continuing to fall since.
- In spite of the recent recession, poverty among the aged in 2010 is at an historic low (9.0%), whereas that of non-aged adults (13.7%) is at the highest level measured since 1959, and the poverty rate among children (21.5%) is at the highest level since 1993 (22.0%).
- Considerable progress in reducing child poverty was made over the mid- to late-1990’s, with the child poverty rate falling from 22.0% in 1993, to 15.6% in 2000—a level not seen in over 20 years (1978, 15.7%), but still above an historic low of 13.8% in 1969.

Figure 2. U.S. Poverty Rates by Age Group, 1959-2010

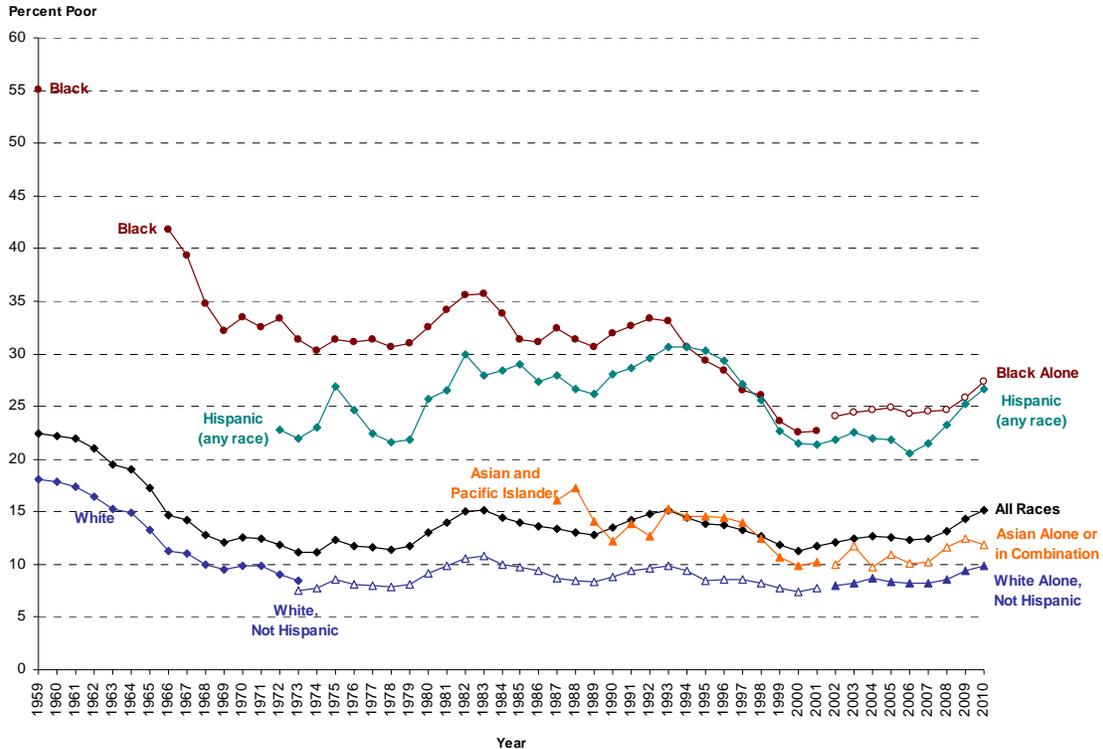


Source: U.S. Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2010,” Tables B-1 and B-2, Current Population Report P60-239, September 2011, available at <http://www.census.gov/prod/2011pubs/p60-239.pdf>.

Trends in Poverty by Race and Hispanic Origin

- Poverty among racial and ethnic minorities has persistently been well above that of the white/white not Hispanic population over the half-century for which “official” poverty statistics have been available. (See **Figure 3**.)
- For most of the period, the poverty rate of African Americans/blacks and Hispanics have exceeded the poverty rate of whites (and white non-Hispanics) by three-times or more.
- Poverty among blacks fell considerably over the 1960’s, but remained seemingly stuck at exceedingly high levels over the next two decades.
- Poverty among Hispanics rose considerably over the latter part of the 1970’s. Small gains towards reduced poverty among this group over the first half of 1980’s had eroded by the decade’s end.
- From the early-mid 1990’s to the end of that decade, both blacks and Hispanics experienced considerable reductions in poverty, with the black poverty rate reaching an historic low in 2001 (22.7%), and the Hispanic rate (21.8%) tying a record low last seen in 1978 (21.6%). In spite of these improvements, in 2001, the poverty rate among blacks was still 2.9 times, and among Hispanics 2.7 times, that of non-Hispanic whites (7.8%).
- The poverty rates of African Americans and Hispanics have risen considerably over the first decade of the new millennium, in tandem with two recessions.

Figure 3. U.S. Poverty Rates by Race and Hispanic Origin, 1959 - 2010



Source: U.S. Census Bureau estimates from Current Population Survey, Annual Social and Economic Supplements, available on the Internet at: <http://www.census.gov/hhes/www/poverty/data/historical/hstspov2.xls>.

THE FACE OF POVERTY TODAY

Race/Ethnicity

- In 2010, the poverty rate of blacks (single race alone) had reached 27.4%, and Hispanics 26.6%, compared to a poverty rate of 9.9% for whites (single race, not Hispanic).

Nativity and Citizenship Status

- In 2010, the poverty rate of non-citizens (26.7%) was nearly twice that of the native-born population (14.4%). In 2010, the 5.7 million non-citizens who were counted as poor accounted for about one-in-eight of all poor persons (46.2 million).

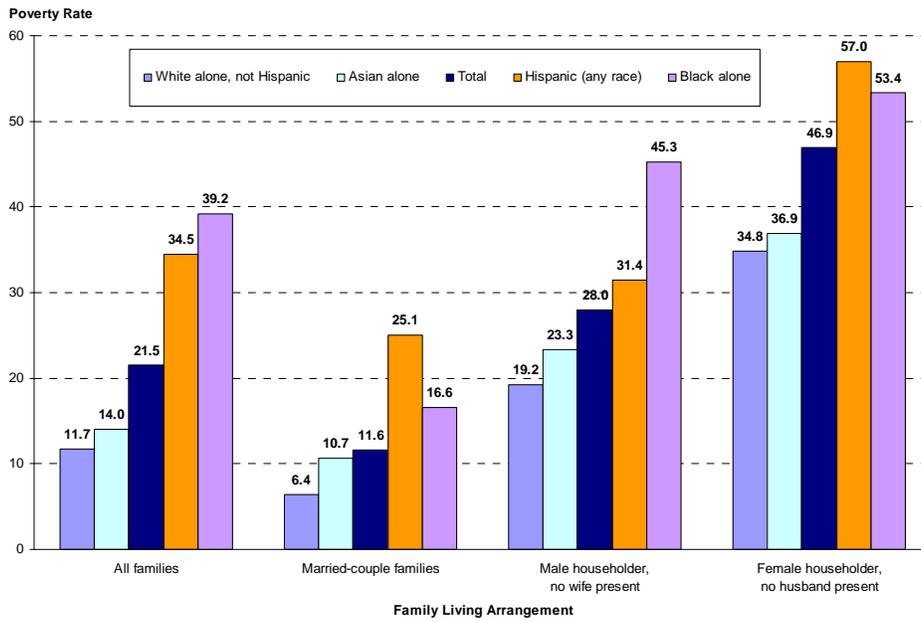
Children

- Children are especially prone to poverty. In 2010, over one-in-five children in the U.S. (21.5%, some 15.7 million) were poor. The child poverty rate in 2010 is up from a pre-recession level of 19.6% (2006). Child poverty in 2010 is well above that of over four-decades ago, when the child poverty rate was at an historic low (13.8%, in 1969).

Race, Ethnicity and Family Type:

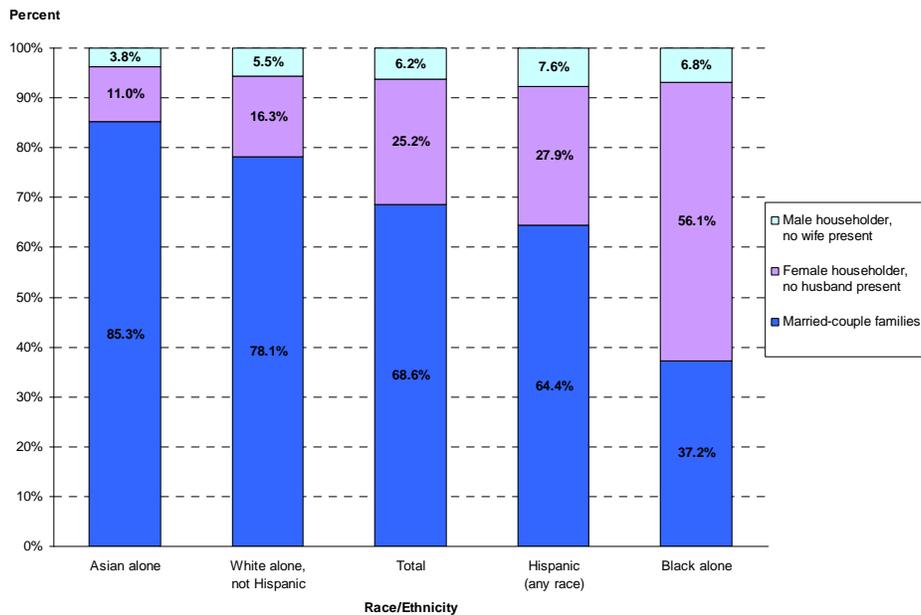
- In 2010, the incidence of poverty among black and Hispanic children (39.2% and 34.6%, respectively) was over three-times that of non-Hispanic white children (11.7%). (See **Figure 4**.)
- Contributing to the high rate of overall black child poverty is the large share of black children (56.1%) who live in single female-headed families, compared to Hispanic children (28.0%) or non-Hispanic white children (16.4%). (See **Figure 5**.)
- Among children living in single female-headed families, more than half of black children (53.3%) and Hispanic children (57.0%) were poor; in contrast, about one-third of non-Hispanic white children in such families (34.8%) were poor. (See **Figure 4**.)
- Among children living in married-couple families, the poverty rate of Hispanic children (25.1%) was half-again as high as that of black children (16.6%), and about four times that of non-Hispanic white children (6.4%) who live in such families. (See **Figure 4**.)

Figure 4. Child Poverty Rates by Family Living Arrangement, Race and Hispanic Origin, 2010



Source: Estimates from the U.S. Census Bureau's 2011 Current Population Survey, Annual Social and Economic Supplement, available on the Internet at: http://www.census.gov/hhes/www/cpstables/032011/pov/new05_100_09.htm.

Figure 5. Composition of Children, by Family Type, Race and Hispanic Origin, 2010



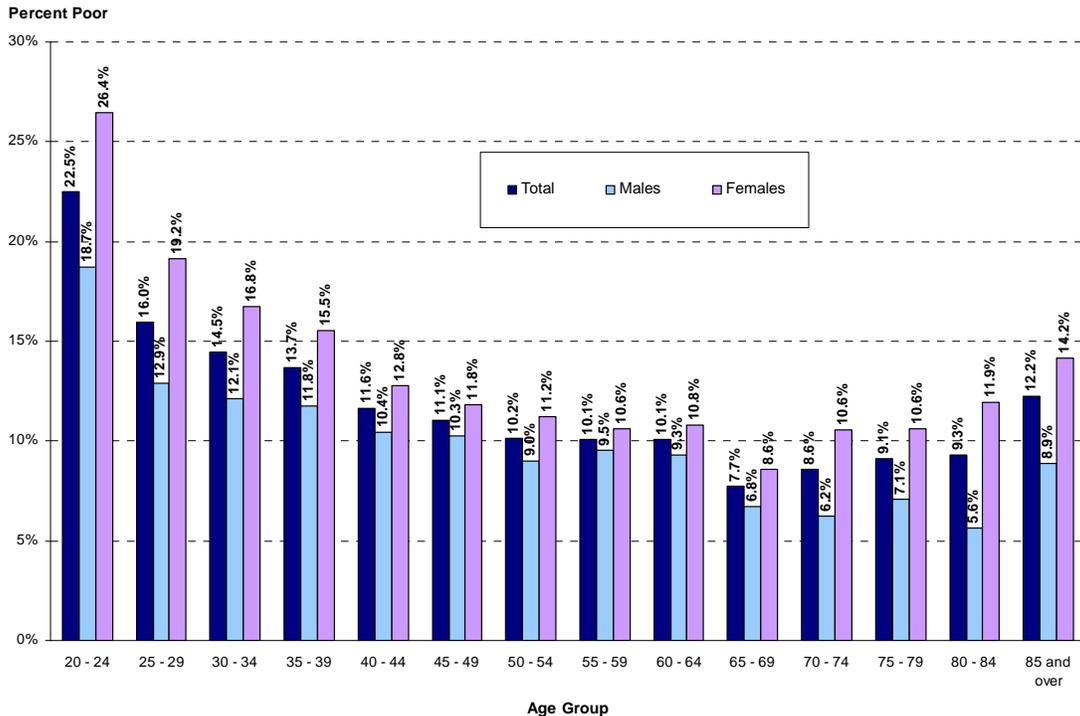
Source: Estimates from the U.S. Census Bureau's 2011 Current Population Survey, Annual Social and Economic Supplement, available on the Internet at: http://www.census.gov/hhes/www/cpstables/032011/pov/new05_100_09.htm.

Non-Aged Adults

Age and Gender

- Poverty rates are higher among younger than older adults. Younger adults are in the stage of life beginning work careers, and starting families. (See **Figure 6**.)
- Adult women are more likely to be poor at every age than are their male counterparts. The differential is greatest at younger and older age ranges, than in middle-age ranges. In 2010, among women in their 20's poverty, their poverty rates on average were 46% above those of their male counterparts of the same age; for women in their 30's, 38% higher; and for women in their 40s, and 50s, 20% higher. Women in their 60's had average poverty rates 26% above their male counterparts, and about 70% higher for women in their 70's.

Figure 6. Poverty Rates by Age and Gender, 2010

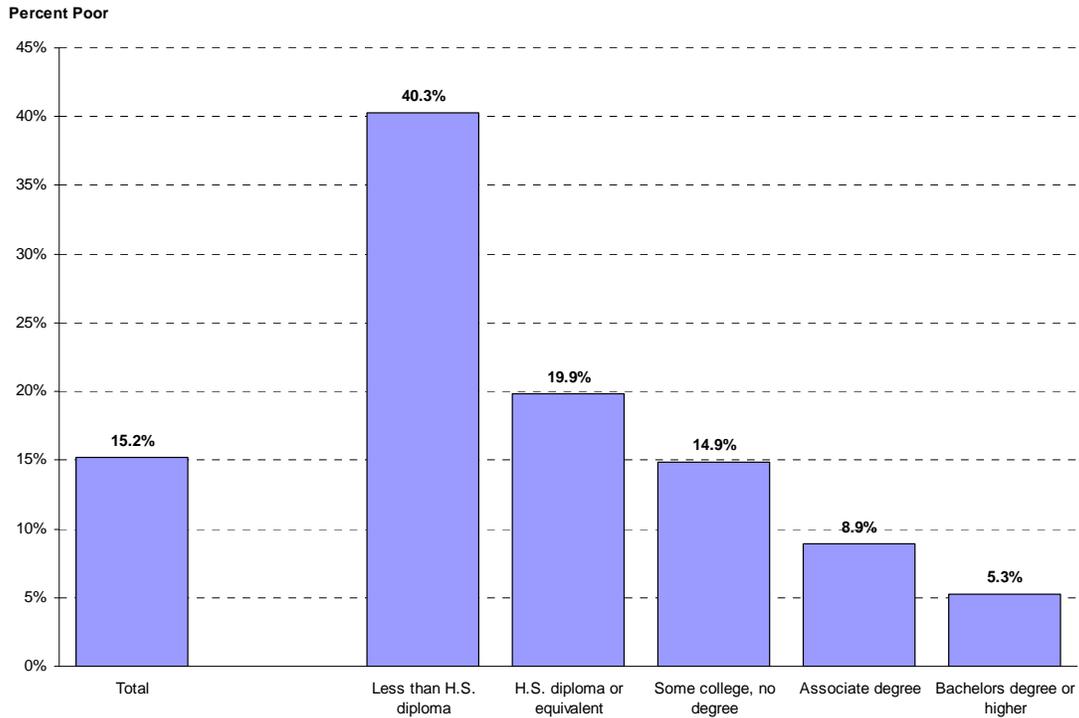


Source: Estimates from the U.S. Census Bureau's 2011 Current Population Survey, Annual Social and Economic Supplement, available on the Internet at: http://www.census.gov/hhes/www/cpstables/032011/pov/new34_100_01.htm.

Educational Attainment

- The incidence of poverty among young adults (age 25 to 34) is strongly associated with level of educational attainment. (**Figure 7**).
- Within this age group, individuals without a high school diploma are twice as likely to be poor (poverty rate of 40.3%) than those who have attained a high school diploma or equivalent (poverty rate of 19.9%).
- In turn, the poverty rate of young adults with just a high school diploma (19.9%) is over twice that of those who have attained an associates degree (8.9%), and nearly four-times that of those who have at least a bachelor's degree (5.3%).

Figure 7. Poverty Rates by Level of Education, Persons Age 25 to 34, 2010

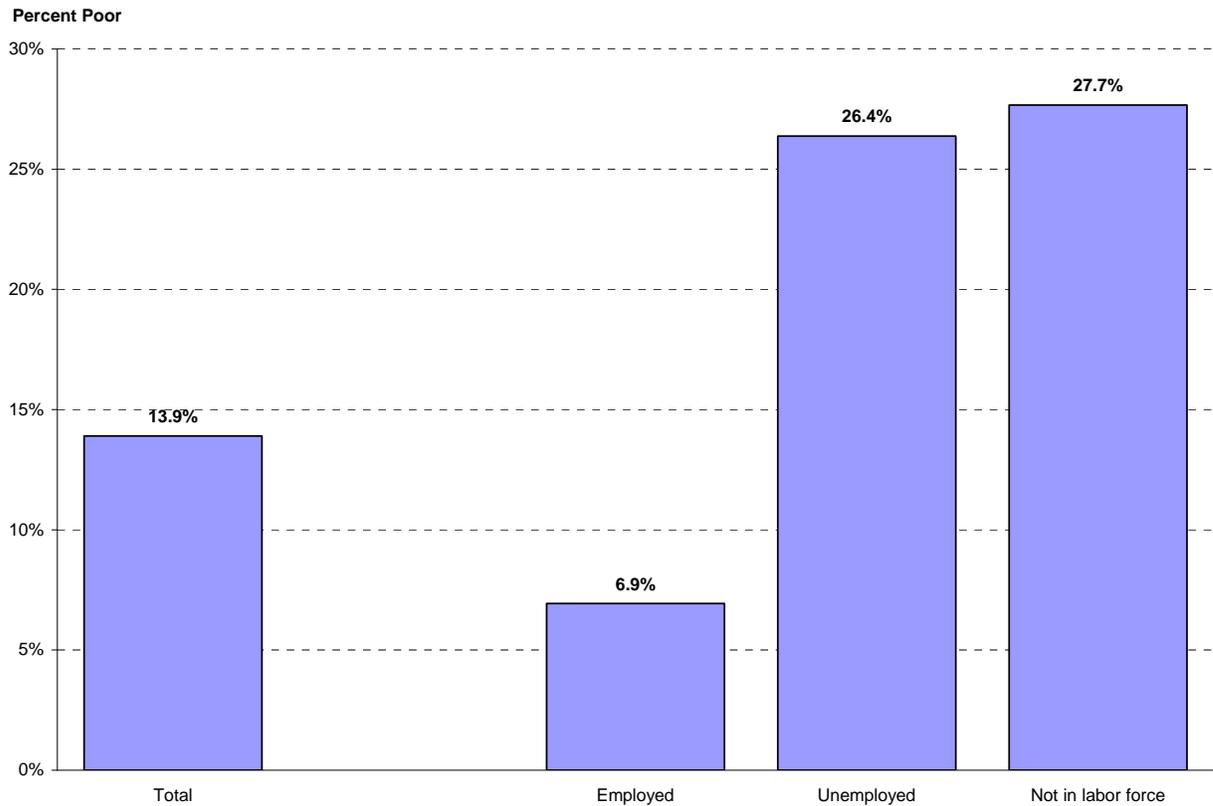


Source: Estimates from the U.S. Census Bureau's 2011 Current Population Survey, Annual Social and Economic Supplement.

Employment Status

- Among persons age 16 to 64 who had a job in early 2011, 6.9% were poor in 2010, based on their family income in that year.
- Among those who were unemployed (i.e., without a job and were looking for work), over one-quarter (26.4%) were poor in 2010—a rate almost four times that of employed persons.
- Among persons who were completely out of the labor force (i.e., without a job and not looking for work), 27.7% were poor.

Figure 8. Poverty Rates among Persons Age 16 to 64 in 2010, by Employment Status in February-April 2011



Source: Estimates from the U.S. Census Bureau's 2011 Current Population Survey, Annual Social and Economic Supplement.

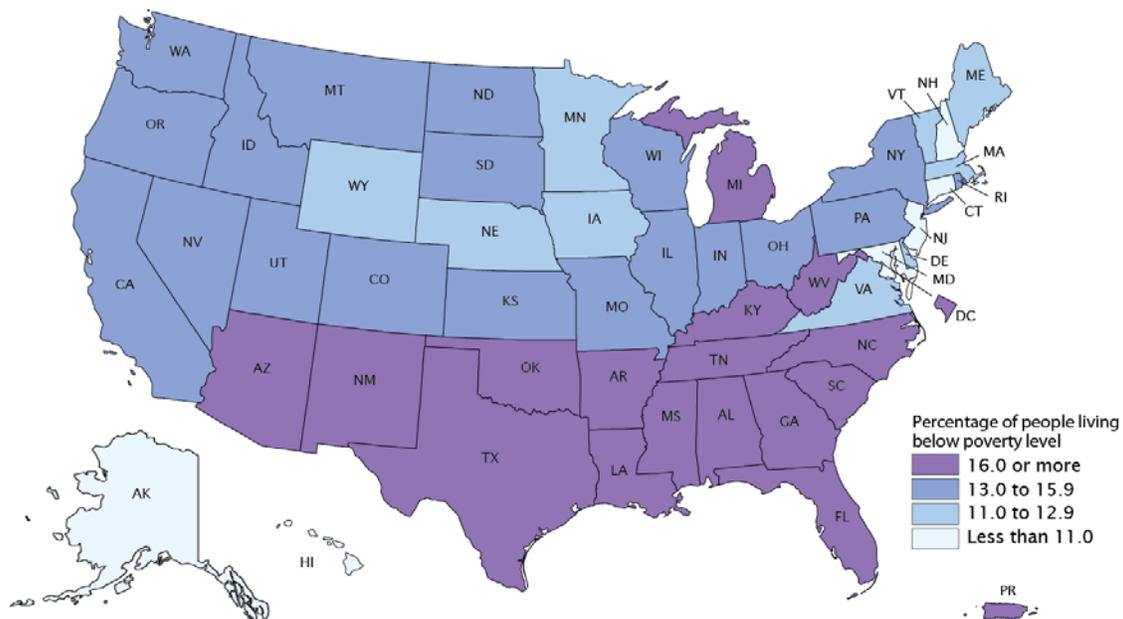
Notes: Employment status in the month surveyed Survey (generally March) and poverty status based on family income in the previous year (2010).

POVERTY AND PLACE

Poverty by State

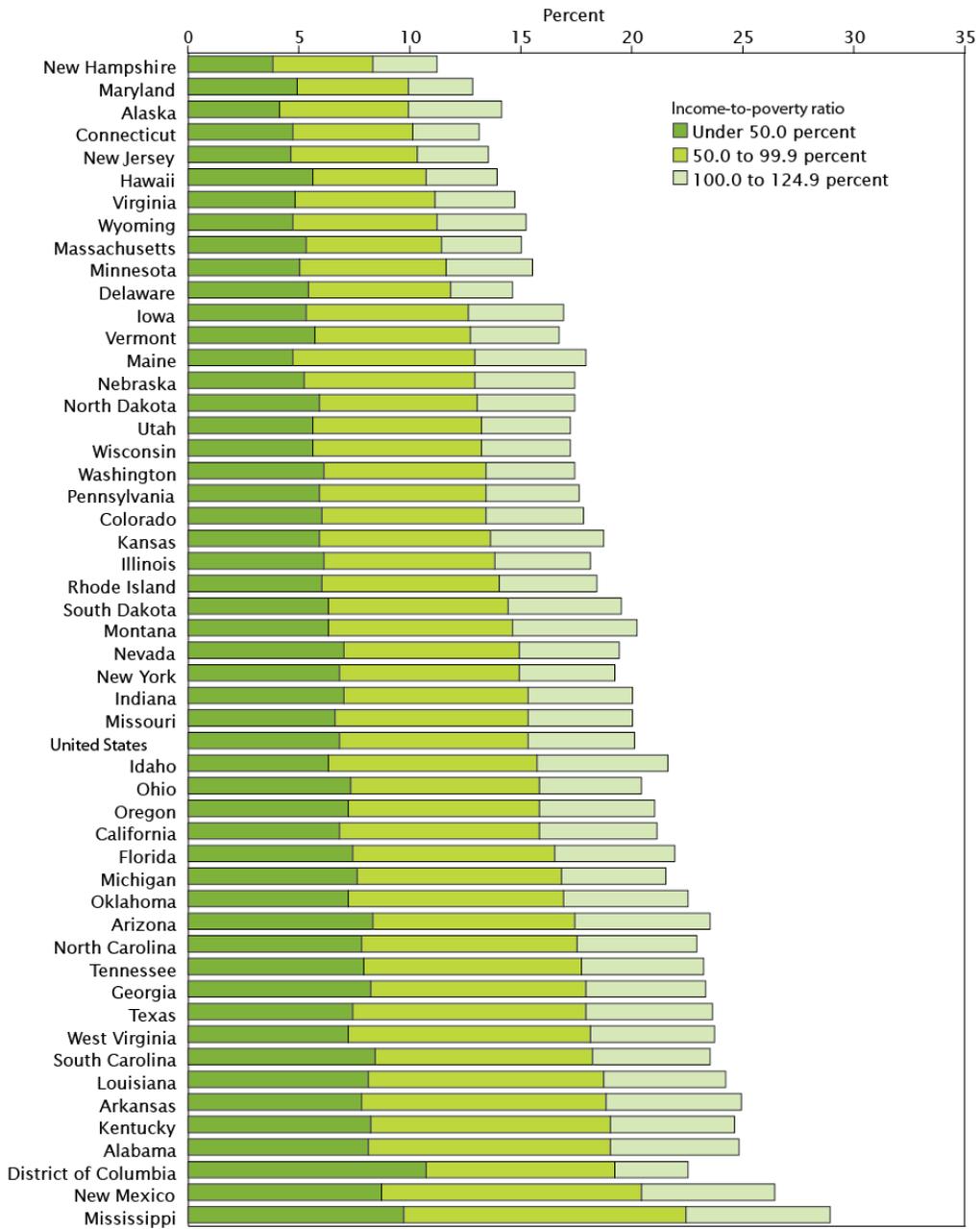
- In 2010, poverty rates were highest in the South (with the exception of Virginia), in two Appalachian states (Kentucky and West Virginia), and Southwestern states bordering Mexico (Texas, New Mexico, and Arizona). Michigan also stood out as a state having a relatively high poverty rate. The District of Columbia's poverty rate was exceeded only by New Mexico and Mississippi.
- States in the Northeast, with the exception of New York, Rhode Island, and Pennsylvania, were among those with comparatively low poverty rates. Three Mid-Atlantic states, Delaware, Maryland and Virginia, also were among states with comparatively low poverty rates. Two states in the Upper Midwest, Iowa and Minnesota, had comparatively low poverty rates, as did Nebraska and Wyoming.

Figure 9. Percentage of People in Poverty in the Past 12 Months by State and Puerto Rico: 2010



Source: U.S. Census Bureau, 2010 American Community Survey, 2010 Puerto Rico Community Survey.

Figure 10. Percentage of People by Income-to-Poverty Ratio in the Past 12 Months, by State: 2010



Source: U.S. Census Bureau, 2010 American Community Survey.

Metropolitan and Non-Metropolitan Areas

- Poverty tends to be somewhat higher in non-metropolitan than in metropolitan areas (16.5% and 14.9%, respectively, in 2010). However, within metropolitan areas, the poverty rate in principal cities (19.7% in 2010) greatly exceeds that of suburban and outlying areas (11.8%). A typical pattern is for poverty rates to be highest in center city areas, with poverty rates dropping off in suburban areas, and then rising with increasing distance from an urban core.

Neighborhoods – Poverty Areas and Areas of Concentrated and Extreme Poverty

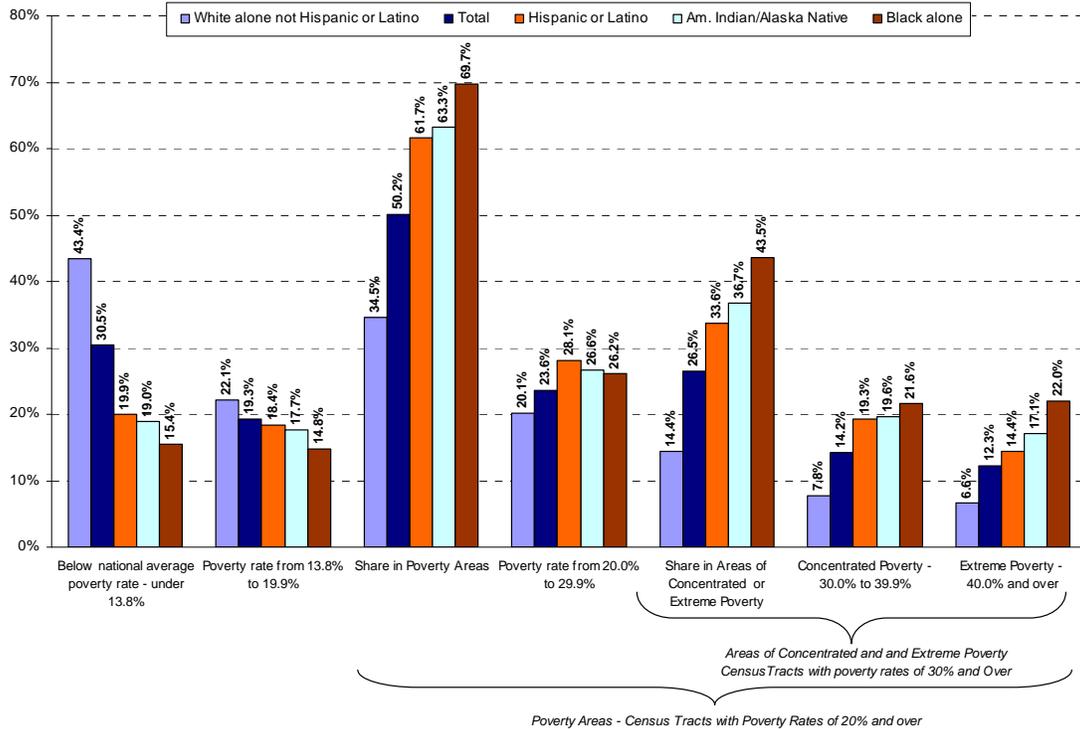
- Neighborhoods can be delineated from U.S. Census Bureau census tracts. Census tracts usually have between 2,500 and 8,000 persons and, when first delineated, are designed to be homogeneous with respect to population characteristics, economic status, and living conditions.
- The Census Bureau defines “poverty areas” as census tracts having poverty rates of 20% or more.
- **Figure 11** delineates census tracts into several groupings. The first two groupings are based on persons living in census tracts with poverty rates below the national average (13.5% based on the 5-year ACS data), and from 13.5% to less than 20.0%. Persons living in census tracts with poverty rates of 20% or more meet the Census Bureau definition of living in “poverty areas.” Poverty areas are further demarcated in terms of persons living in areas of “concentrated” poverty (i.e., census tracts with poverty rates of 30% to 39.9%), and areas of “extreme” poverty (i.e., census tracts with poverty rates of 40% or more). The figure is based on 5-years of data (2006 – 2010) from the U.S. Census Bureau’s American Community Survey (ACS). Five years of data are required in order to get reasonably reliable statistical data at the census tract level while at the same time preserving the confidentiality of survey respondents.

Distribution of Poor Persons by Race and Hispanic Origin and Level of Neighborhood (Census Tract) Poverty

- Over the 5-year period, 2006 – 2010, half of all poor persons (50.2%) lived in “poverty areas” (i.e., census tracts with poverty rates of 20% or more).
- Over one-quarter (26.5%) lived in areas with poverty of 30% or more, and about one-in-eight (12.3%) lived in areas of “extreme” poverty, having poverty rates of 40% or more.
- Among the poor, African Americans/blacks, American Indian and Alaska Natives, and Hispanics are more likely to live in poverty areas than either Asians or white non-Hispanics.
- Among poor blacks, over two of every five (43.5%) live in neighborhoods with poverty rates of 30% or more, and over one-in-five (22.0%) live in “extreme” poverty areas, with poverty rates of 40% or more.
- Among Hispanics, one-third (33.6%) live in areas with poverty rates of 30% or more, and about one-in-seven (14.4%) live in areas of “extreme” poverty.

- Among white non-Hispanics, close to two-thirds (64.5%) live outside poverty areas, while about one-in-seven (14.4%) live in areas with poverty rates of 30% or more.

Figure 11. Distribution of Poor People by Race and Hispanic Origin, by Level of Neighborhood (Census Tract) Poverty, 2006-2010



Source: U.S. Census Bureau American Community Survey, 5-year data release (2006-2010).

SOCIAL AND ECONOMIC COSTS OF POVERTY

Poverty is known not only to negatively affect the poor themselves, but to have negative social and economic impacts on society as a whole (U.S. Government Accountability Office²). Findings, include:

- Research studies have found that poverty experienced in early childhood can have a number of immediate and lasting effects, affecting individuals well into adulthood. Poverty and low income decrease the life chances of American children.
- Poverty has been shown to affect children's cognitive development and subsequent school performance, thereby affecting future job prospects in adulthood.
- Poor teen adolescent girls are more likely to become teenage mothers than their non-poor counterparts, contributing to a cycle of poverty from one generation to the next.
- Poverty has been shown to be associated, both as a cause and consequence, with poor health. Poverty's effects on individuals' health may affect their longevity and years spent in poor health, having consequences for individuals' ability to engage in gainful employment, and reducing their overall quality of life.
- Poor adolescents are more likely to engage in criminal activity leading to arrest and incarceration.
- Violent and property crime is associated with neighborhoods with high concentrations of poor people. Peer influence and neighborhood effects may also lead to increased criminal behavior by residents. Having many peers that engage in negative behavior may reduce social stigma surrounding that behavior.
- To the degree that poverty contributes to higher rates of crime, poverty may result in diversion of societal resources from productive activities to protective measures (e.g., spending on police, prisons, and private security), as well as impose costs on victims of poverty-related crime.
- Research suggests that poverty can negatively affect economic growth by stifling individuals' accumulation of human capital (i.e., knowledge, skills, and cognitive and physical abilities), which is a vital component to economic growth.

² U.S. Government Accountability Office), POVERTY IN AMERICA: Economic Research Shows Adverse Impacts on Health Status and Other Social Conditions as well as the Economic Growth Rate. GAO Report 97-07-344. Available on the Internet at: <http://www.gao.gov/new.items/d07344.pdf>.

One study (Duncan, Kalil, and Ziol-Guest³) estimated the economic costs of early childhood poverty on children's outcomes as adults. Findings include:

- Eliminating poverty in early childhood (from pre-natal through age 5) would have the effect of boosting annual work hours once those children reach adulthood by 12.4 percent and earnings by 28.7 percent per year.
- Over the course of a lifetime, these estimated effects translate into additional lifetime earnings of between \$53,000 and \$100,000 per child, depending upon the assumed duration of the poverty effect (the lower bound estimate applies to estimated effects sustained between ages of 25 and 37, and the upper bound estimate to the effect if sustained through age 54).
- The aggregate earnings benefit of eliminating poverty among children born each year, from their prenatal year through age 5, translates to between \$20 billion and \$36 billion for each annual cohort of children born. Besides leading to subsequent earnings increases in adulthood, the authors estimate that eliminating early childhood poverty would reduce subsequent welfare benefit receipt (i.e., Food Stamps, and among women, cash welfare) as adults, leading to estimated savings of \$820 million for all children born in a given year for whom poverty is eliminated in early childhood.

Others have attempted to estimate the effects of poverty in terms of lost productivity and added social and economic costs to the U.S. economy as a whole (Holzer, Schanzenbach, Duncan and Ludwig⁴).

The Study's Approach:

- The study attempts to quantify the overall costs to the economy of having children grow up in poverty, both in terms of subsequent lost economic productivity as adults, but also in terms of the added costs to society associated with higher crime and poorer health in later life that may be linked to childhood poverty. The study's results give an indication of the relative drain on the economy of allowing children to grow up poor, or conversely, the potential increase in economic productivity and reduced social costs that might accrue from eliminating childhood poverty in the U.S.
- The study's focus on children, estimating subsequent effects of poverty on into adulthood and through the life cycle, captures only part of the costs of poverty to society. For example, many children do not grow up in poverty, but become poor as adults; these effects are not included in their estimates.

³ Duncan, Greg J., Ariel Kalil, and Kathleen Ziol-Guest. *Economic Costs of Early Childhood Poverty*. Issue Paper No. 4. Washington, DC. Partnership for America's Economic Success, February 28, 2008. Available on the Internet at: http://www.partnershipforsuccess.org/docs/researchproject_duncan_200802_paper.pdf.

⁴ Holzer, Harry J., Diane Whitmore Schanzenbach, Greg J. Duncan, and Jens Ludwig. *The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing Up Poor*. Washington, DC: Center for American Progress, January 24, 2007. Available on the Internet at: http://www.americanprogress.org/issues/2007/01/pdf/poverty_report.pdf.

- The authors attempt to factor out the influence of heredity on subsequent outcomes of children as they move into and through adulthood to focus on environmental factors associated with growing up poor, per se. Here, the presumption is that societal interventions that change the conditions in which poor children live, such as lack of family income, poor neighborhoods, poor schools, can be viewed as social investments, having potential long-term payoffs for society as a whole.

The Study's Findings:

- **Productivity:** The authors calculate that allowing children to grow up in poverty for one quarter or more of their childhood (about 17 percent of all children), reduces their productivity as adults by about \$170 billion dollars per year, resulting in an aggregate loss of output amounting to 1.3 percent of the nation's gross domestic product (GDP).
- **Crime:** The authors calculate the estimated costs of childhood poverty on crime. Here, they include only the costs of crime associated with "street crime" victimization; costs of economic crimes such as fraud and white collar crime are excluded, as are the costs associated with protective measures against crime, such as police, prisons, and private security. By their calculations, childhood poverty accounts for about \$170 billion of the estimated \$700 billion cost to victims of "street crime", or about 1.3 percent of GDP -- a magnitude similar to the loss in productivity, calculated above.
- **Health:** The authors calculate the effects of childhood poverty on poor health and its associated costs. Here they estimate the costs of childhood poverty in terms of both additional direct health care expenditures associated with poor health through the life-cycle, as well as costs associated with differential mortality and morbidity between the poor and nonpoor. They estimate that childhood poverty increases direct health care expenditures and other direct expenditures, such as special education, by about 0.2 percent of GDP. They estimate that childhood poverty results in *lower quantity of life* (i.e., earlier mortality) and *lower quality of life* (i.e., greater morbidity), resulting in a loss of "health capital" or "quality adjusted life-years"; they value this loss associated with childhood poverty at about \$149 billion per year, or about 1.1 percent of GDP. This is a separate effect from that attributed earlier to lost output, described above. After factoring out estimated hereditary effects on health, the authors estimate that childhood poverty's effects on health expenditures and lost "health capital" amounts to about 1.2 percent of GDP.
- **Total Effect:** When added together, the authors estimate the costs of childhood poverty resulting from foregone earnings and productivity (1.3 percent of GDP), high crime rates (1.3 percent of GDP), and poor health as adults (1.2 percent of GDP) total to 3.8 percent of GDP, or about \$500 billion per year. The authors consider this to be an underestimate of the true costs of poverty. The magnitude of the cost of childhood poverty to the economy and society suggests that investments in anti-poverty strategies have the potential of reaping measurable benefits to the U.S. economy and society as a whole.