US severe poverty highest in three decades

By Naomi Spencer
5 March 2007

Extreme poverty in the US has reached its highest point in at least three decades, according to an analysis of Census Bureau figures by McClatchy Newspapers published February 22. The increase reflects the stark reality of declining living standards for the majority of the population in the so-called capitalist recovery of the past five years as well as during the period that preceded it.

In 2005, individuals earning less than \$5,080 a year were considered severely poor; a family of four with two children was severely poor if they lived on less than \$9,903. The data review found that nearly 16 million Americans in 2005 were living in severe poverty, or below half the federally designated poverty threshold.

This figure represents nearly half of the total poverty population, the highest proportion of the poverty population in dire straits since at least 1975. Between 2000 and 2005 alone, this group grew by 26 percent, even as the economy recovered from recession.

According to Tony Pugh, the author of the report, this growth in severe poverty was 56 percent more than the growth of the poverty population overall, which also grew substantially over the period.

In 2005, 12.6 percent of the population, or 37 million people, including 13 million children, lived below the official poverty line. The McClatchy report notes that about one in three severely poor people are under the age of 17, and that nearly two thirds of the poor population are female. Families headed by women bear a great deal of the deepest poverty in the US.

Minority families are disproportionately impoverished. Census data suggests that low-income blacks are more than three times as likely as non-Hispanic whites to be severely poor. Poor Hispanics are more than twice as likely to suffer severe poverty. In 2005, 4.3 million of the severely poor were black, and 3.7 million were Hispanic.

Many of the severely poor among minorities are older, having worked for decades in the now-collapsed manufacturing sector and developed job-related injuries and other health problems. The McClatchy report quoted congressional testimony from Community Service Society of New York City president David Jones, who remarked, “You have this whole cohort of, particularly, African-Americans of limited skills, men, who can’t participate in the workforce because they don’t have skills to do anything but heavy labor.”

University of Wisconsin social welfare professor Mark Rank told the news agency that one in three Americans experience a full year of extreme poverty at some point in life. Based on longitudinal research, Rank estimated that 58 percent of Americans between ages 20 and 75 will spend at least a year in poverty. Two in three will use a public assistance program between the ages of 20 and 65, and 40 percent of Americans will rely on public assistance for at least five years. The poverty estimates do not include the undocumented immigrant population, which would certainly increase the rates.

According to the McClatchy review of Census data, 65 of 215 large US counties saw statistically significant increases in severe poverty. The report also suggested that, rather than being concentrated in particular regions of the country, such as the Gulf Coast or collapsing manufacturing centers in the Midwest, “the rise in severely poor residents isn’t confined to large urban counties but extends to suburban and rural areas.”

The US-Mexico border and the South registered the most extreme poverty. Here, 6.5 million are severely poor. Many worked in generally low-wage jobs in apparel, textile and furniture factories that are now closing down or relocating. Similarly, severe poverty has grown in the so-called rustbelt of the Midwest and Northeast in the wake of mass layoffs and plant closures.

Washington, D.C., recorded a higher concentration of severe poverty than any of the 50 states, at 10.8 percent of the total 2005 population. This exceeded even Mississippi and Louisiana, whose populations were devastated by Hurricane Katrina. In the nation’s capital, nearly 6 in 10 poor residents were severely impoverished. At the center of the richest country in the world, where trillions of dollars are appropriated for war, tax cuts and corporate handouts, the symbolism is unmistakable.

While damning in itself, data collected by the Census Bureau barely begins to express the reality of poverty in the US, let alone explain the real sources of its increase. Moreover, the official poverty line is in itself wholly inadequate as a measure of economic well-being and stability, and does more to understate the decline in living standards than elucidate it.

When it was developed nearly half a century ago, the poverty line was a calculation of the bare minimum required by a family to eat a healthy diet based on the estimate that the average family spent a third of their income on food. While it has been adjusted annually for inflation, the poverty measure does not account for substantial changes in the living expenses of working Americans, such as the cost of child care and transportation, for the huge increase in housing costs, or for the burden of healthcare expenditures among the largely uninsured poverty population.

Only the very richest individuals have benefited from the economic expansion since 2001; the vast majority of Americans have unarguably seen a decline in living standards, job and retirement prospects, and savings. As the Economic Policy Institute puts it in its current *The State of Working America*, “Despite the fact that the most recent economic expansion began in late 2001, the real income of the median family fell each year through 2004. Between 2000 and 2005, real median family income fell by 2.3 percent, or about $1,300 in 2004 dollars.” [1]

While wages stagnated, cost of living rose significantly, driving the low- and middle-income populations into more and more difficult circumstances. Meanwhile, funding and access to social programs for the poor have been greatly reduced. Debt, foreclosure, and bankruptcy rates have all increased substantially. Those already in or near poverty have been the most vulnerable to this backsliding because of the “jobless” nature of the recovery.

A November 2006 *New York Times* analysis of 2004 federal tax information found that the bottom fifth of American taxpayers earned below $11,166, with their *average* income amounting to less than $5,800. Accounting for the fact that the IRS definition of “taxpayer” applies to single individuals as well as jointly filing couples, the *Times* estimated that the poorest 26 million taxpayers represented nearly 48 million adults and about 12 million dependent children. By this measure, the *Times* estimated that the poorest 60 million Americans lived on less than $7 a day. (See “60 million Americans living on less than $7 a day—US income figures show staggering rise in social inequality”)

By comparison, the 2004 poverty line was $27 a day for a single adult below retirement age and $42 a day for a household with one child. The divergence of the average income of the poverty population and the poverty line, as artificially low as it is, is an important indicator of the real state of the economy. This measure is called the ‘poverty gap.’

In 2005, the average poverty gap was a record $8,000. The significance of this gap is that, on average, poor families are truly poorer now than in earlier periods. [2]

Many analysts assert that the hardships of poverty are overstated because poverty measures do not include the worth of social services such as food stamps and medical assistance, or the welfare program’s successor, Temporary Assistance for Needy Families (TANF). However, the latest available data from the Census Bureau’s Survey of Income and Program Participation reveals that in 2003, a mere 10 percent of severely poor Americans received TANF aid, and only slightly more than a third of the severely poor were enrolled in the Food Stamp program.

As the McClatchy report notes, “the low participation rates are troubling because the worst byproducts of poverty, such as higher crime and violence rates and poor health, nutrition and educational outcomes, are worse for those in deep poverty.”

Indeed, a study on the prevalence of severe poverty in the October 2006 issue of the *American Journal of Preventive Medicine* concluded, “A rise in poverty rates is important because of the enormous difficulties faced by the poor in meeting the most basic human needs (e.g., education, jobs, higher earnings).” [3]

The study enumerated the consequences of falling into poverty: “The public health implications of increasing poverty are profound, given how strongly social class is linked with premature mortality, disease, and mental illness. The poor have greater exposure to risk factors, such as those caused by homelessness, substandard housing, and environmental pollutants. They experience greater rates of smoking, physical inactivity, and obesity, in part because impoverished neighborhoods are not conducive to healthy lifestyles (e.g., having built environments for walking and supermarkets that offer healthy food choices); these communities are also targets for the promotion of cigarettes, alcoholic beverages, and fast foods.” For the third of the poverty population without health insurance and the majority with no savings, all of these factors compound one another.

Importantly, the study found that “the recent increase in poverty rates is explained largely by a dramatic upsurge in severe poverty” after the year 2000. “The population with an income deficit of at least $8,000 below the poverty threshold,” which includes a larger and larger share of the overall poverty population, “appears to be vulnerable to a different experience than those with incomes closer to the poverty threshold.”

The study suggested that the growth of extreme poverty was producing a “sinkhole” effect on US income distribution as a whole, exposing millions more Americans to dire circumstances.

These observations of poverty trends are quite valuable, and disturbingly uncommon. The study’s authors pointed out that their queries on “severe poverty” and “deep poverty” in the Social Sciences Citation Index and PubMed search engines from 2001 to the present returned *not one* article. Between 2002 and 2005, the authors noted, the *Washington Post* and *New York Times* ran only eight articles about Census data, wherein a median of only two sentences were devoted to the steady and substantial increase in poverty.

Press statements from the Census Bureau were no better; only a single briefing on severe poverty has been released since 2000, during a 2003 review of 2002 data. The mention consisted of a single sentence: “The 14.1 million people with incomes less than half their thresholds represent 4.9 percent of the population (and 41 percent of the poverty population), percentages not different from 2001.” [4]

Virtually nowhere is the relationship between the rise in extreme poverty and the extreme concentration of wealth raised. The growth of severe impoverishment is an unmistakable manifestation of inequality, itself the product of definite policies aimed at diverting social resources into the hands of a financial elite. At a time when the top 1 percent of US households received 17 percent of all national income, held more than a third of all net worth, and more than 42 percent of all net assets, nearly a fifth of households held zero or negative net worth. Another third of the population held less than $10,000. [5]

Notes:

[1] Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto. *The State of Working America 2006/2007*. An Economic Policy Institute Book. Ithaca, NY: ILR Press, an imprint of Cornell University Press, 2007, p. 39.
[2] Ibid, p. 288.
[3] Woolf S, Johnson R, Geiger, H. The Rising Prevalence of Severe Poverty in America: A Growing Threat to Public Health. *Am J Prev Med* 2006; 31 (4): 332-341. Accessed at: http://www.ajpm-online.net.
[4] http://www.census.gov/hhes/www/income/income02/prs03asc.html
[5] Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto. *The State of Working America 2006/2007*. An Economic Policy Institute Book. Ithaca, NY: ILR Press, an imprint of Cornell University Press, 2007, p. 257.