Behind the Numbers: Poverty

Behind the Numbers takes a look at specific measures or indicators to provide a better understanding of what the data for the indicators mean, how data are used and where you can get them.

What is poverty?
The level of income below which people have insufficient resources to meet basic needs.

What does it measure?
Personal economic well-being.

What does it tells us?
That a person or family has a very low income.

What doesn't it tell us?
Whether the person can live self-sufficiently with the income he/she receives.

How is the data collected?
Self-reported income is compared to either a federal poverty threshold or a guideline.

Where can I get it?
U.S. Census Bureau.

When to use it:
- To determine eligibility for certain government assistance programs.
- To identify segments of the population at risk or in financial distress.

A poverty rate is useful to compare economic well-being across communities or over time.

Webster defines poverty as "the state of one with insufficient resources," and states that poverty "may cover a range from extreme want of necessities to an absence of material comforts." The definition, however, does not provide for a measure of the number of people in poverty.

Federal poverty measures
The federal government uses two slightly different ways to measure poverty.

- Poverty thresholds are the original version of the federal poverty measure. They are updated each year by the Census Bureau and are used mainly for statistical purposes — for instance, preparing estimates of the number of Americans in poverty each year. All official poverty population figures are calculated using the poverty thresholds, not the guidelines.
- Poverty guidelines are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds for use for administrative purposes — for instance, determining financial eligibility for certain federal programs.

Poverty thresholds
Originally developed by the Social Security Administration in 1964, thresholds were determined using U.S. Department of Agriculture food budgets designed for families under economic stress and data about what portion of their income families spent on food.

Thresholds were established as the official measure of poverty by the Office of Management and Budget (OMB) to be used by federal agencies in their *statistical* work.

Official poverty data come from the Census Bureau's Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC), simply known as the "March Supplement."

Income used to compute poverty status
To compute poverty status, use total money income before taxes, which includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources.

Non-cash benefits, such as food stamps and housing subsidies, and capital gains or losses are excluded.

Note: If a person lives with a family, the incomes of all family members are included in the computation. Non-relatives, such as housemates, do not count.

What are the thresholds?
Poverty thresholds are the dollar amounts used to determine poverty status.

Each person or family is assigned one of 48 possible poverty thresholds, which vary according to family size and ages of family members. (See table on back.)

The same thresholds are used throughout the United States with no geographic variation.

The thresholds are updated annually for inflation using the Consumer Price Index for All Urban Consumers (CPI-U), and are intended for use as a statistical yardstick, not as a complete description of what people and families need to live.

Computation
If total family income is less than the threshold appropriate for that family, the family is in poverty. If total family income is equal to or greater than the threshold, the

Poverty Thresholds in 2004

Size of family unit*	Weighted average threshold[1]	Related children under 18 years old: None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person	$9,645									
Under 65 years old	$9,827	$9,827								
65 years +	$9,060	$8,060								
Two people	$12,334									
Householder under 65 years old	$12,714	$12,649	$13,020							
Householder 65 years +	$11,430	$11,418	$12,971							
Three people	$15,067	$14,776	$15,205	$15,219						
Four people	$19,307	$19,484	$19,803	$19,157	$19,223					
Five people	$22,831	$23,497	$23,838	$23,108	$22,543	$22,199				
Six people	$25,788	$27,025	$27,133	$26,573	$26,037	$25,241	$24,768			
Seven people	$29,236	$31,096	$31,290	$30,621	$30,154	$29,285	$28,271	$27,159		
Eight people	$32,641	$34,778	$35,086	$34,454	$33,901	$33,115	$32,119	$31,082	$30,818	
Nine people or more	$39,048	$41,836	$42,039	$41,480	$41,010	$40,240	$39,179	$38,220	$37,983	$36,520

* A person living in the household but not related to the householder is a one-person unit separate from the rest of the household.

[1] Although the official poverty data are based on 48 thresholds arranged by family size and number of children within the family, data users often want to get an idea of the "average" threshold for a given family size. The weighted average thresholds provide that summary.

family is not in poverty. All family members have the same poverty status.

The same is true for a single person household or an unrelated individual in a family household. For unrelated individuals, their income alone is compared with the appropriate threshold.

Example:

Family A has five members: two children, a mother, a father, and a great-aunt, so their threshold was $23,108 dollars in 2004. The members' incomes in 2004 were:

Mother:	$10,000
Father:	5,000
Great-aunt:	10,000
First child:	0
Second child:	0
Total family income:	$25,000

Since their income was greater than their threshold, Family A is not in poverty.

The income divided by the threshold ($25,000 / $23,108 = 1.08 for Family A) is called the ratio of income to poverty. It can be said that Family A has an income of 108 percent of poverty.

The difference in dollars between family income and the family's poverty threshold is called the income deficit for families in poverty or the income surplus for families at or above poverty.

Family A's income surplus was $1,892 ($25,000 - $23,108).

2005 Poverty Guidelines

Size of family unit	48 contiguous states and D.C.	Alaska	Hawaii
One person	$9,570	$11,950	$11,010
Each additional person	$3,260	$4,080	$3,750

The poverty rate refers to the percent of the population in a given area that has incomes below poverty. For many levels of geography, this is only calculated once every 10 years with the decennial Census since that is the only way to find the income of every person in the area.

Excluded groups

The following groups are excluded when calculating poverty rates; they are considered neither "poor" nor "non-poor."

- Unrelated individuals under age 15 (such as foster children) – income questions are asked of people age 15 and older, so we do not know the income of persons under age 15 not living with a family member.
- People in institutional group quarters, such as prisons or nursing homes; college dormitories; military barracks; and living situations without conventional housing not living in shelters.

Poverty guidelines

There are separate poverty guidelines for Alaska and Hawaii (but no separate figures for Puerto Rico or island territories).

The same guidelines apply for those under age 65 and those age 65 or older.

Programs using the guidelines (or percentage multiples of the guidelines — for instance, 125 percent or 185 percent of the guidelines) to determine eligibility include Head Start, the Food Stamp Program, the National School Lunch Program, the Low-Income Home Energy Assistance Program, and the Children's Health Insurance Program.

In general, cash public assistance programs, such as Temporary Assistance for Needy Families and Supplemental Security Income, do NOT use the poverty guidelines in determining eligibility. The Earned Income Tax Credit program also does NOT use the poverty guidelines to determine eligibility.

The poverty guidelines, unlike thresholds, are designated by the year in which they are issued. For instance, the guidelines issued in February 2005 are designated the 2005 poverty guidelines, although they only reflect price changes through calendar year 2004. Accordingly, they are approximately equal to the Census Bureau poverty thresholds for calendar year 2004.

The poverty guidelines are sometimes referred to as the "federal poverty level," but that phrase is ambiguous and should be avoided, especially in situations where precision is important, as with legislation or administrative regulations.

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