

# Measuring Poverty and Deep Poverty in the United States

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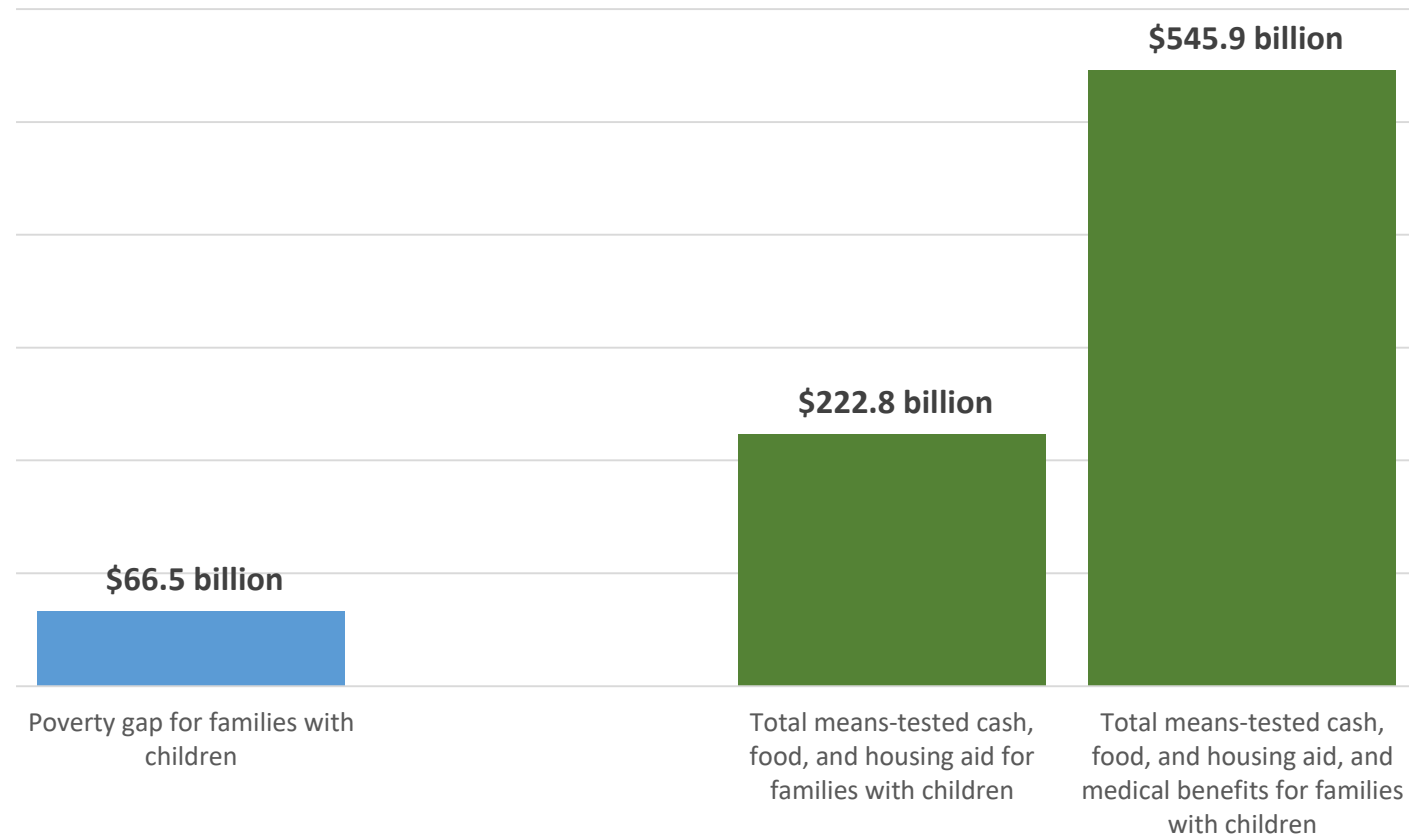
**The Census Bureau asserts that, in 2018, some 11.9 million, or 16 percent of all U.S. children were poor.**

**But government spending on cash, food, and housing aid for low income children is three times what is needed to eliminate all child poverty in the U.S.**

**How can this be? How can we spend so much  
and still have 11.9 million poor children?**

**The answer lies in how poverty is counted.**

## Welfare Spending More than Sufficient to Eliminate Child Poverty



NOTES: The (deep) poverty gap is the additional income needed to raise all families and unrelated individuals at least to the (deep) poverty level. Figures are for 2016.

SOURCE: Authors' calculations based on data from U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, March 2017, and the Office of Management and Budget.

- **Official Poverty:**

- Official poverty means having an annual family money income below the federal poverty level (FPL). The federal poverty level is also called the poverty income threshold. The poverty levels of thresholds vary by family size. In 2018 the federal poverty level for a family of four was \$25,465. A family of four which had a money income below that level was defined as poor by the U.S. Census Bureau.

- **Deep Poverty**

- Deep Poverty means having an "money income" below 50 percent of the federal poverty threshold for your family. The federal poverty threshold for a family of four in 2018 was \$25,465. The deep poverty threshold for a family of four is half that amount or \$12,732.

## 2018 Census Poverty Thresholds

Household Size	Federal Poverty Level	Deep Poverty: 50% of Federal Poverty Level
Two people	\$ 16,247	\$ 8,123.50
Three people (two children)	\$ 20,231	\$ 10,115.50
Four people (two children)	\$ 25,465	\$ 12,732.50

# Problems with the Census Poverty Measurement using “Money Income”

The Census Bureau uses a concept of “money income to provide an measurement of poverty and deep poverty. There are four major problems with this measurement:

- Means-tested welfare benefits are substantially undercounted or ignored entirely. Major programs such as the Earned Income Tax Credit, food stamps, and housing subsidies are not considered “money income” and are not counted.
- Extensive informal or gray-market income in lower-income households is omitted;
- An arbitrary definition of the family unit excludes cohabiting parents and partners and their income from the measure of the family’s living standards; and
- Income from a single year may not correspond to living conditions, because some families with temporarily low incomes may have assets acquired in prior years.

# Alternative Expenditure-Based Measurement of Poverty

The Census Bureau also collects, on behalf of the Bureau of Labor Statistics (BLS), data on the spending patterns of American households via the Consumer Expenditure Survey (CEX). A nationally representative sample of households is interviewed for four consecutive quarters and asked, among other things, to report all spending by any member of the household for each month. The survey is extremely detailed and includes information on up to 594 non-overlapping categories of expenditures.

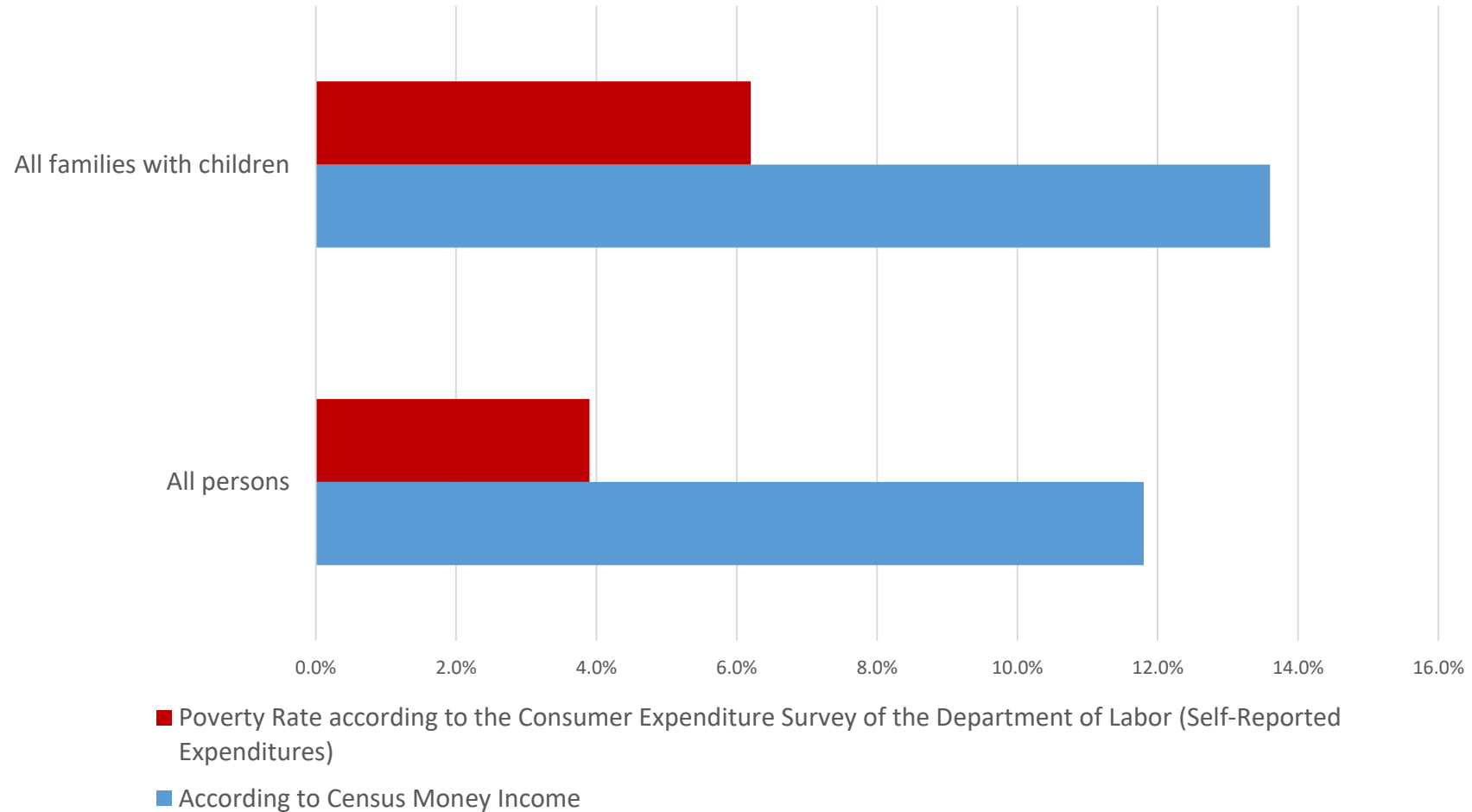
The CEX has shown for decades that the households in official poverty consistently report spending around \$2.40 for every dollar of apparent “money income”.



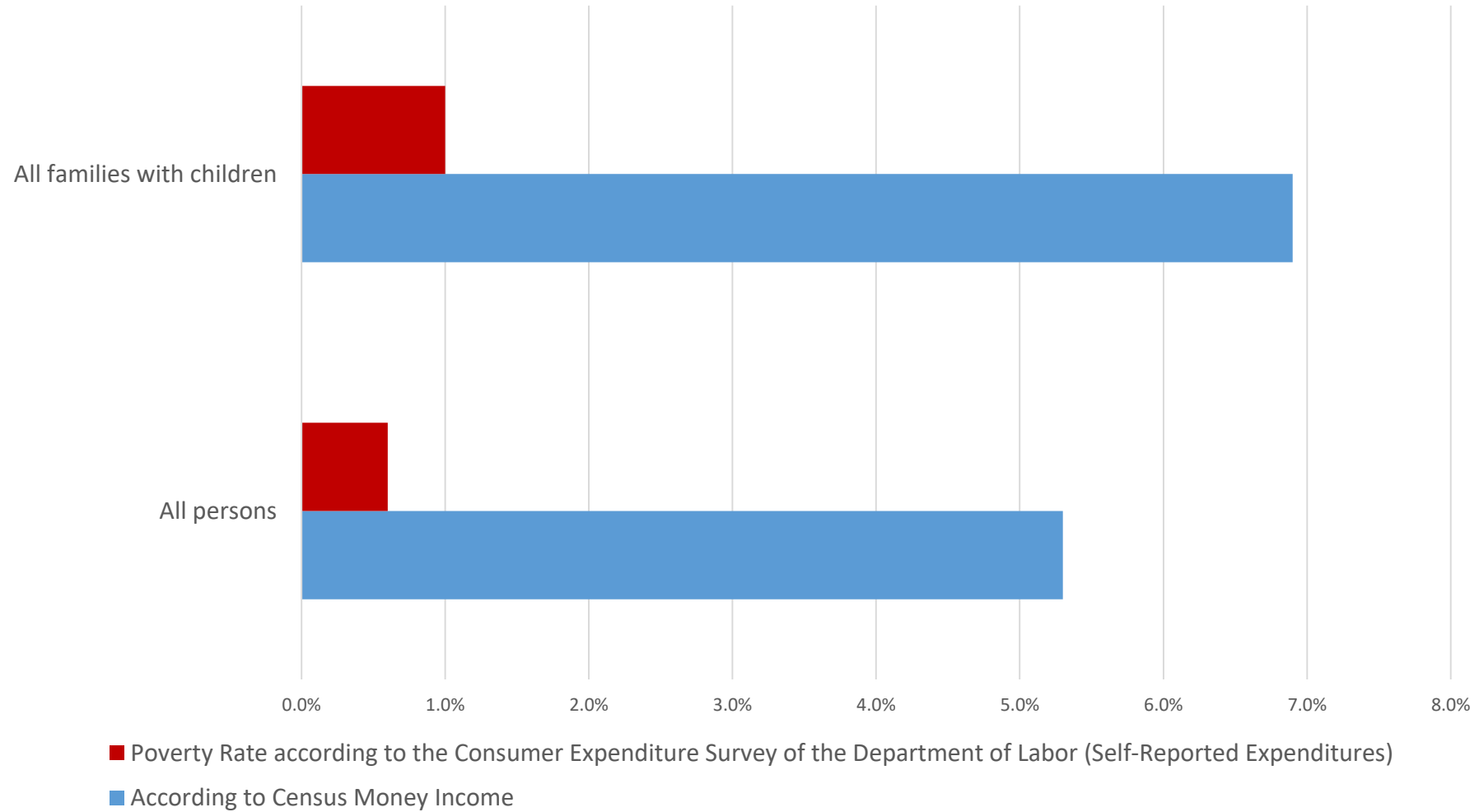
# Advantages of the Expenditure-Based Measurement of Poverty

- Advantage #1: Means-tested welfare counts.
- Advantage #2: Informal income counts.
- Advantage #3: The income of cohabiting partners and parents is counted.
- Advantage #4: Expenditures correspond to living conditions more accurately than income does.

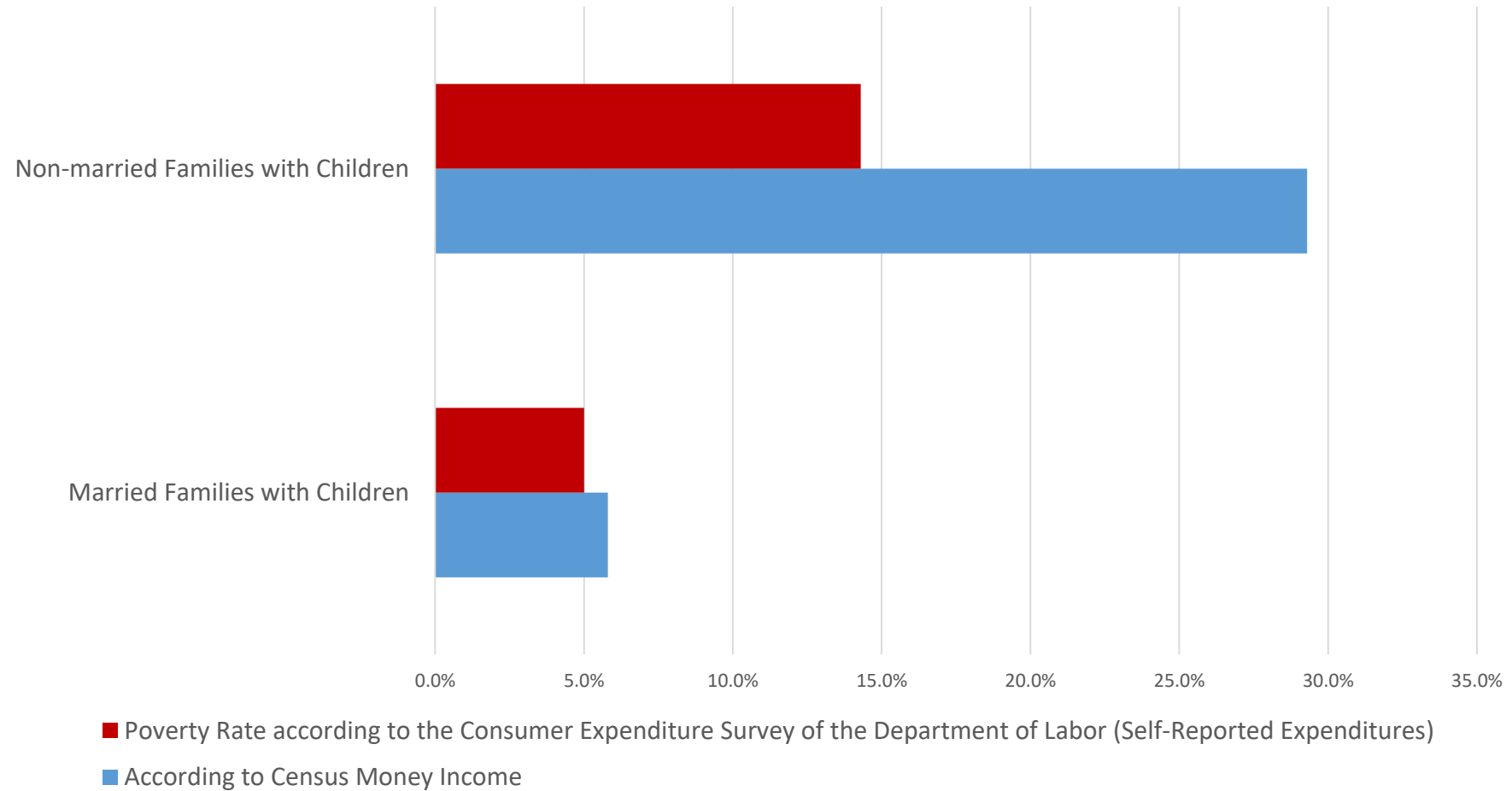
# Poverty Rate



# Deep Poverty Rate



# Poverty Rate by Family Type



# Deep Poverty Rate by Family Type

