

# Poverty Profile

## What it's like to be in poverty



For Janice<sup>1</sup>, living in poverty is complicated. Each month, she counts on support from a variety of people and agencies to make ends meet.

An autoimmune disorder attacks her organs, so Janice cannot count on feeling good enough to be a reliable employee. She fills her good days volunteering, and spends the bad days at home.

Her 17-year marriage ended in divorce after she became ill. Before the divorce, Janice and her husband lived on annual income of \$72,000. Today, her annual income is approximately \$6,000; more when her ex makes his alimony payment.

The judge's alimony award makes Janice ineligible for Medicaid, but because her ex-husband's payments are sporadic, Janice struggles to meet expenses.

### Stretching the definition of "budget"

Janice receives a monthly Social Security Disability benefit of \$523. She receives chemotherapy and takes steroids for her illness; many other medications address the chemo's side effects.

Her typical monthly expenses:

- **Medicare Part B premium**—\$66.60

- **Prescription medications**—average \$500, after Medicare discounts (occasional symptom flare-ups result in additional prescriptions)
- **Rent**—\$100 (Janice currently lives in transitional housing, but will lose that in late fall)
- **Phone**—\$25.88
- **Food**—\$200
- **Cable**—\$13.01
- **Auto insurance**—\$94 (walking to the bus stop is struggle with her health problems)
- **Gas**—varies (Janice will stay at home if she can't afford gas)

Janice's family helps her meet expenses. She knows "the system," having worked at Legal Aid where she helped clients to budget and access services. For this she feels fortunate, "A lot of people don't have the knowledge to navigate the system."

She turned to Salvation Army, and St. Vincent de Paul for help. She now lives in Housing and Urban Development transitional housing, but will lose that place in November 2004.

When Janice feels good, she takes her medications every other day, so she can stockpile them. She enrolled in prescription-drug assistance programs through the pharmaceutical companies, but her most expensive medications are not covered.



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When asked what she misses most about life before poverty, Janice says, "I miss not having to struggle to find medicine." She encourages other women to negotiate for health insurance benefits in a divorce, "because you never know when something like this is going to happen. It can happen to anyone."

Janice is just one of the many faces of poverty.

### Who is in poverty?

Oregon's poverty rate in 1999 stood at 11.6 percent. The poverty rate varies by age, race, and family status, and affects:

- 17.1 percent of children 5 years of age and younger
- 14.7 percent of children younger than 18 years of age
- 7.6 percent of people 65 and older
- 7.9 percent of Oregon families
- 12.4 percent of Oregon families with children younger than 18
- 16.6 percent of families with children younger than 5 years of age
- 47.4 percent of families headed by single mothers who have children younger than 5

### A bigger problem for minority populations

While the majority of Oregon's poverty population is White, the state's minority and ethnic populations experience poverty at a disproportionate rate.

Poverty rates for these groups:

- 24.1 for Black
- 22.2 for American Indian
- 24.9 for Hispanic Origin

In contrast, the White population experienced poverty at a 10.2 rate.

### How long poverty lasts

The US Census looked at the duration of poverty by selected characteristics. Age, race, marital status, and employment all correlate to how long a person remains in poverty.

The Census study found that the median duration of poverty was 4.9 months.

The shortest duration was for those employed full-time, at 3.8 months, while people who had not worked spent an average of 6.3 months in poverty. People 65 and older had the longest stay in poverty at 7.2 months, followed closely by people in female-headed families at 7.1 months.

The length of time in poverty also varied by race and ethnicity. The



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duration in poverty for White was 4.6 months, for Black was 6.2 months and 5.8 months for people of Hispanic origin.<sup>2</sup>

### Moving out of Poverty

Many factors influence a person's chance of moving out of poverty. Not surprisingly, the very factors that increase a person's chance of entering poverty, when addressed, can provide the roadmap for the journey out of poverty.

#### A matter of choice and sheer determination

Jacque Meier says, "It was my stupid choice, my mistake that put me there." "There" was poverty. She grew up in poverty, left home and high school before graduating, married, had children, divorced, and eventually ended up homeless.

For the 43-year-old mother of three, living in poverty meant going without many things that most people take for granted. She and her children went for three years with no telephone. They lacked medical insurance. A ten-month stint on welfare strengthened her resolve to change her future.

However, even the nominal fee charged to those who take the Graduate

Equivalency Degree (GED) exams was out of her reach. "Anything and everything costs money," observes Jacque. "If it weren't for the programs that assisted me, I couldn't have made it."

Jacque eventually landed in Clackamas County's transitional housing program where she set concrete goals, paid rent that reflected her ability to pay, found childcare, and received the financial assistance she needed to take her GED. With her GED, Jacque was able to pursue her employment goals.

She started as an installer with the Clackamas County Weatherization program at \$5 an hour. Today Jacque manages the program and owns her own home. "I really like not having to rely on anyone else."

#### What triggers the exit from poverty?

For Jacque, a number of factors made her journey possible: housing assistance, education, and work opportunities. Clearly, her drive and determination made the biggest difference.

When researchers look at what moves individuals out of poverty, they include (in order of impact on the poverty rate<sup>3</sup>):

- Employment of the head of the



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household, spouse, or other household members

- Educational attainment—GED or higher education
- Shift from a single head of household to a two-adult headed household
- The end of a period of disability for the head of the household



As The Urban Institute researchers point out, " ... many events throw people into poverty and many events help people exit from poverty. There appears to be no single path into or out of poverty."<sup>4</sup>

### Endnotes

<sup>1</sup> Not her real name.

<sup>2</sup> TJ Eller, US Census Bureau, *Current Population Reports, Dynamics of Economic Well-Being: Poverty 1992-1993, Who Stays Poor? Who Doesn't?*, June 1996, p. 3.

<sup>3</sup> Signe-Mary McKernan and Caroline Ratcliffe, *The Urban Institute, Events that Trigger Poverty Entries and Exits*, December 2002, pp. 19-20.

<sup>4</sup> *ibid.*, p. 23.



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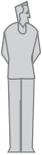
## Poverty Defined

### Poverty Thresholds



Family of Four

1999	2003
\$16,895	\$18,660



Single, Under 65

1999	2003
\$8,667	\$9,573



Single, Over 65

1999	2003
\$7,990	\$8,825



The United States government measures poverty with two tools: the poverty threshold and poverty guidelines. While these measures have their weaknesses, they are the most widely used measures of poverty and serve as the basis for most public assistance programs. Consistent use of these tools allows comparisons, measures change over time, and facilitates the administration of state and federal assistance programs.

### Poverty Threshold

The first measure, the poverty threshold, serves as a statistical yardstick based on income and family size. Each year, the US Census Bureau publishes poverty thresholds adjusted for inflation.

In the early 1960s, an employee of the Social Security Administration calculated the original poverty threshold by estimating the amount of cash income a family needed for food plan “designed for temporary or emergency use when funds are low.”<sup>1</sup>

The calculation uses pretax cash income and excludes non-cash benefits such as public housing, Medicaid, and food stamps. The bureau defines 48 different thresholds, varying by family size and number of children. The Census Bureau has not updated the calculation since

its development, but does adjust the threshold annually based on the Consumer Price Index.

Data presented in this report come from the 2000 Census, based on 1999 income. In 1999, the poverty threshold for a family of four, with two children under age 18, was \$16,895 in annual income. The poverty threshold for a single individual under age 65 in 2000 was \$8,667. For a person over 65 years of age, the threshold was \$7,990.

The 2003 threshold—the last issued by the Census Bureau—for a family of four was \$18,660. For a single person 65 years of age or younger, the threshold was \$9,573 and for a single person over age 65 it was \$8,825.

### Poverty Guidelines

Poverty guidelines (sometimes referred to as the federal poverty level) serve as the second widely accepted federal poverty measure. In February of each year, the federal Department of Health and Human Services (DHHS) sets poverty guidelines as the basis for program eligibility. DHHS simplifies the Census Bureau’s poverty threshold to calculate poverty guidelines. Whereas the Census Bureau develops thresholds varying by family size and age of household members, DHHS

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identifies only one measure for each household size regardless of age. DHHS and other agencies use these simplified measures to administer certain federal programs. For example, states determine eligibility for food stamps using the federal poverty guidelines. In 1999, the poverty guideline for a family of four (in the continental United States) was \$16,700. The 1999 guideline for a single individual was \$8,240. The 2004 levels are \$18,850 for a family of four and \$9,310 for an individual in the 48 contiguous states and Washington, DC.

### Limitations of the federal definitions

As noted above, the Census Bureau has not updated the poverty threshold definition since the 1960s, aside from adjusting for inflation. In the 1960s, food represented the largest expense in the family budget. Today, housing takes the largest bite out of most families' incomes.

Federal poverty definitions have not been adjusted over time to account for changes in basic family expenses. For example, in families where both parents work, expenses for clothing, transportation and childcare take a larger share of the family's resources. Neither measure reflects the true

expenses of these families.

They also fail to account for:

- Differences in health status and insurance coverage
- Geographic differences
- Age
- Economies of scale in larger households
- Changing demographics and family characteristics, such as the increase in families where both parents work
- Rising living standards
- Impact of government policy changes on family income



Many agencies and advocates support the development of a new measure for poverty. Several federal working groups have attempted to develop a new measure. However, the federal government has not yet adopted a new standard. Critics seek an approach that more accurately reflects the level of income and resources families need to meet basic needs, such as:

- Housing (including utilities)
- Food
- Childcare
- Transportation
- Health care



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## Poverty Defined

- Other necessities
- Taxes

Income-based measures can misrepresent a condition of hardship for those with non-income producing assets. Income measures alone do not reflect a household's actual hardship if that household receives aid from other sources. While income is one measure of hardship, some policymakers seek additional measures for a more complete understanding of hardship.

Despite the limitations of the federal measures, they continue to be the most widely used measures of poverty. Poverty definitions give only a general indication of hardship for various groups that may not be accurate for certain individuals.



### Endnote

<sup>1</sup> Gordon M. Fisher, *The Development and History of the U.S. Poverty Thresholds—A Brief Overview*, Newsletter of the Government Statistics Section and the Social Statistics Section of the American Statistical Association, Winter 1997, pp. 6-7. Online at <http://aspe.hhs.gov/poverty/papers/hptgssiv.htm>

### Resources and Links

For more on poverty thresholds, see <http://www.census.gov/hhes/poverty/povdef.html>

For more on poverty guidelines, see <http://aspe.hhs.gov/poverty/poverty.shtml>

For more on the limits of the current measures, see <http://www.nap.edu/readingroom/books/poverty/summary.html>

