

Poverty Facts, 2004**How Many People Are Poor?**

- 36.6 million people—or 12.6 percent of the U.S. population—had family incomes below the federal poverty threshold in 2004.¹

How Much Money Do Families Need To Rise Out Of Poverty?

- \$105.6 billion would be required to move all family incomes up to the poverty threshold.

Who Is Most Likely To Be Poor?

- Poverty rates are highest for African Americans, Hispanics, women, and persons under age 25.

How Do Government Programs Affect Poverty?

- Without government benefits, 61 million people would be poor.
- Social insurance, including Social Security and other programs available to persons regardless of income remove 21 million people from poverty.
- Means tested programs, including SSI, TANF, and other cash assistance programs remove an additional 3 million people from poverty.
- If food and housing assistance were counted as income for poverty purposes, an additional 7.6 million people would be counted as not poor.

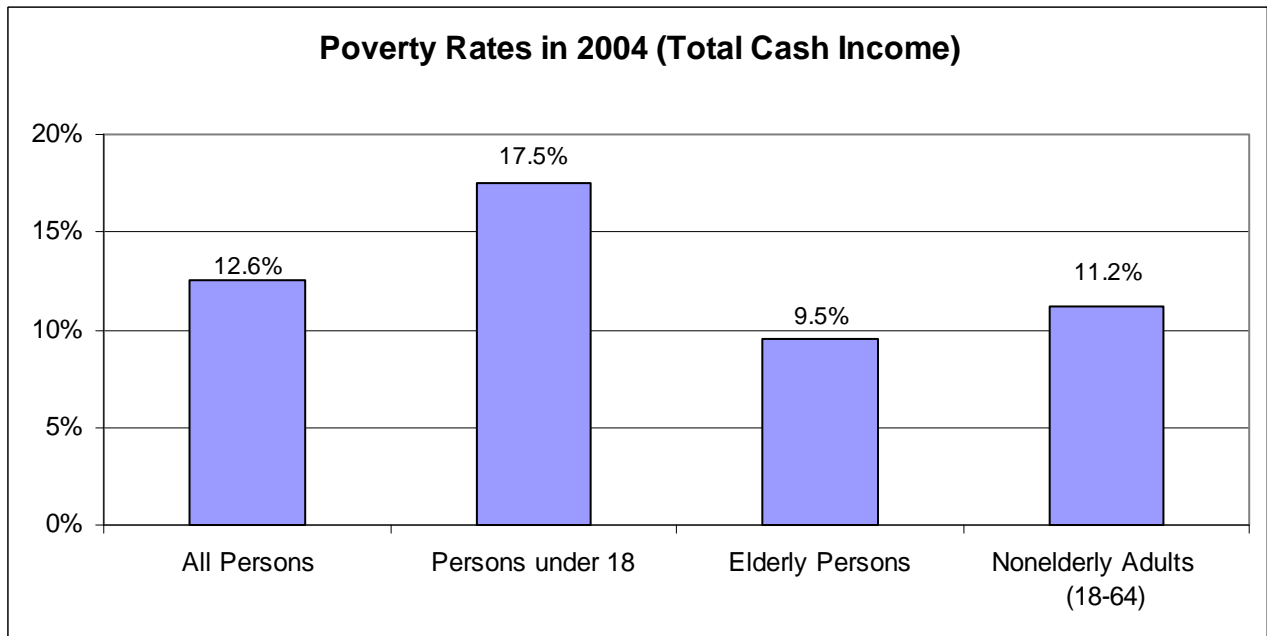
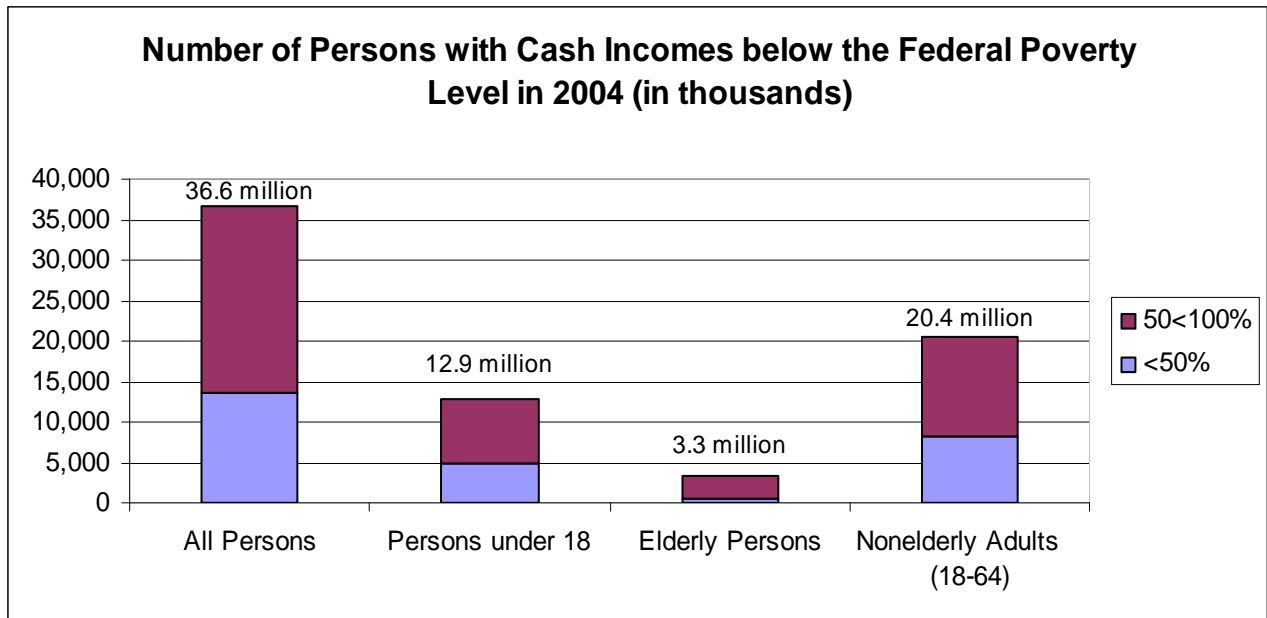
Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). TRIM3 is developed and maintained by the Urban Institute under primary funding from the Department of Health and Human Services, Office of the Secretary for Planning and Evaluation.

This fact sheet was prepared in April 2008 by Laura Wheaton and Jamyang Tashi. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

¹ The poverty estimates presented here may differ somewhat from estimates published by the Census Bureau, primarily because we correct for the underreporting of the major means-tested transfer programs in the Current Population Survey data.

How Many People Are Poor?

In 2004, 36.6 million people, or 12.6 percent of the U.S. population, had family incomes below the federal poverty threshold. Of that number, 13.5 million were extremely poor, with income below 50 percent of the poverty threshold.



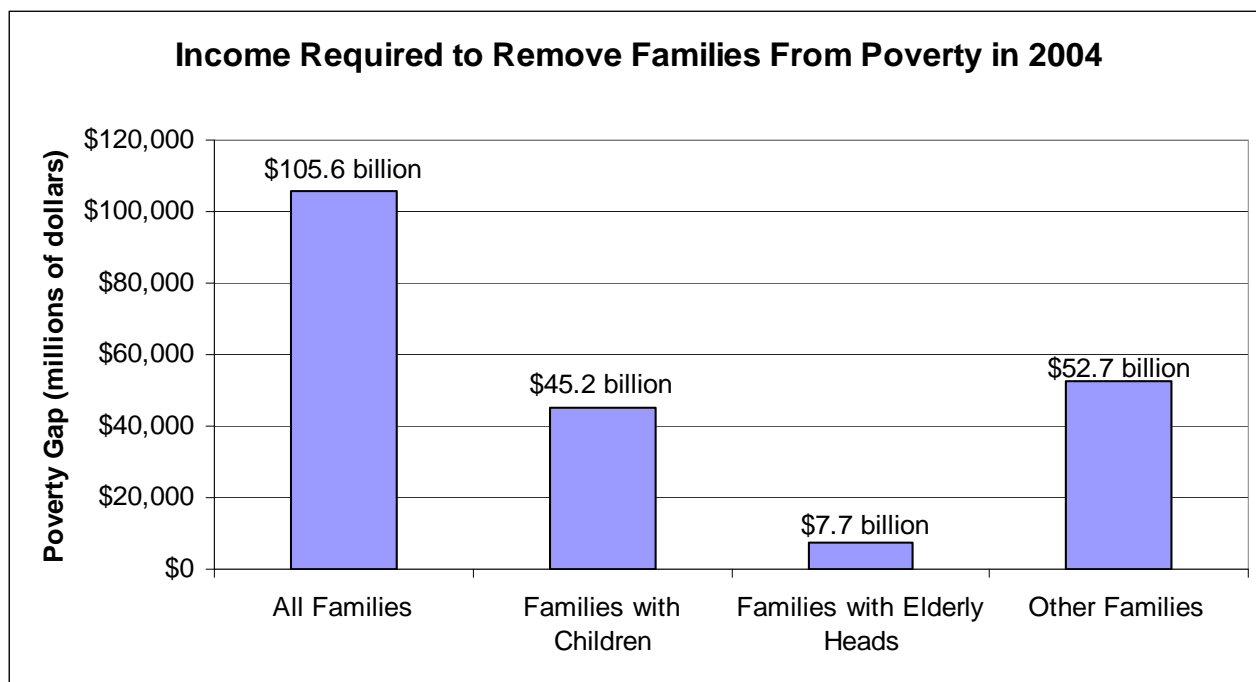
Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.



Poverty Facts

How Much Do Families Need to Rise Out Of Poverty?

In 2004, the “poverty gap”—the amount of additional income required to remove all poor families and individuals from poverty—was \$105.6 billion.

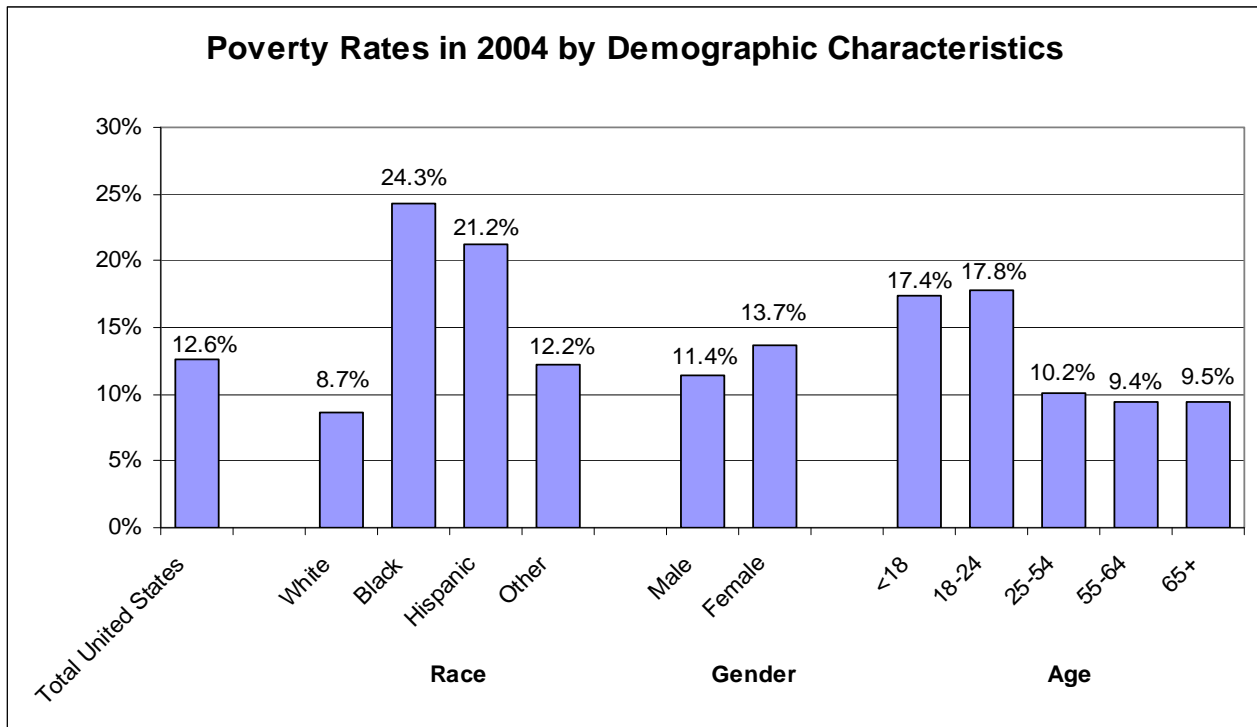


Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Note: “Families with Children” include all families containing a person under 18 who is not the head or spouse. “Families with Elderly Heads” include families where the head is aged 65 or older and there are no children under 18. “Other Families” include all other families. Single-person families are included in all counts of families.

Who Is Most Likely to Be Poor?

Poverty rates are highest among African Americans and Hispanics, women, and people under age 25.



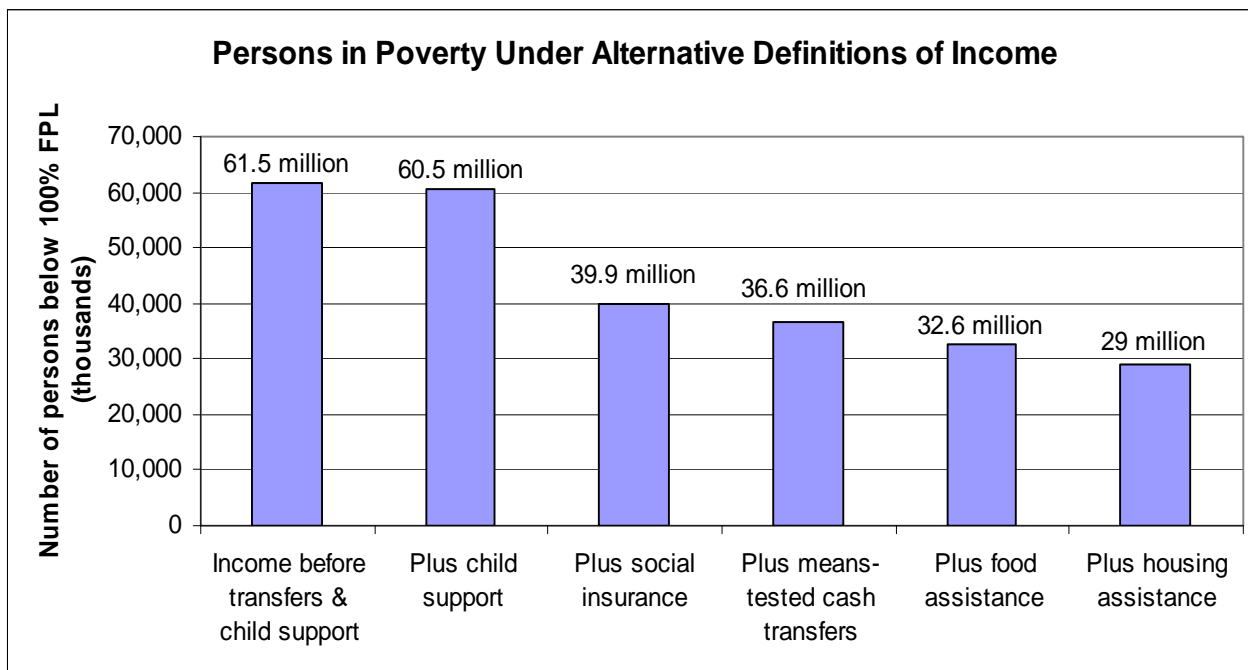
Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

How Do Government Programs Affect Poverty?

In the absence of government assistance and child support² paid by nonresident parents, 61.5 million people would be poor.

- Child support removes 1 million people from poverty.
- Social insurance, including Social Security and other programs available to families regardless of income remove 21 million people from poverty.
- Means tested programs, including SSI, TANF, and other cash assistance programs remove an additional 3 million people from poverty.

Food and housing assistance are not counted as income in the standard poverty definition. If they were, an additional 7.6 million people would be counted as not poor.³



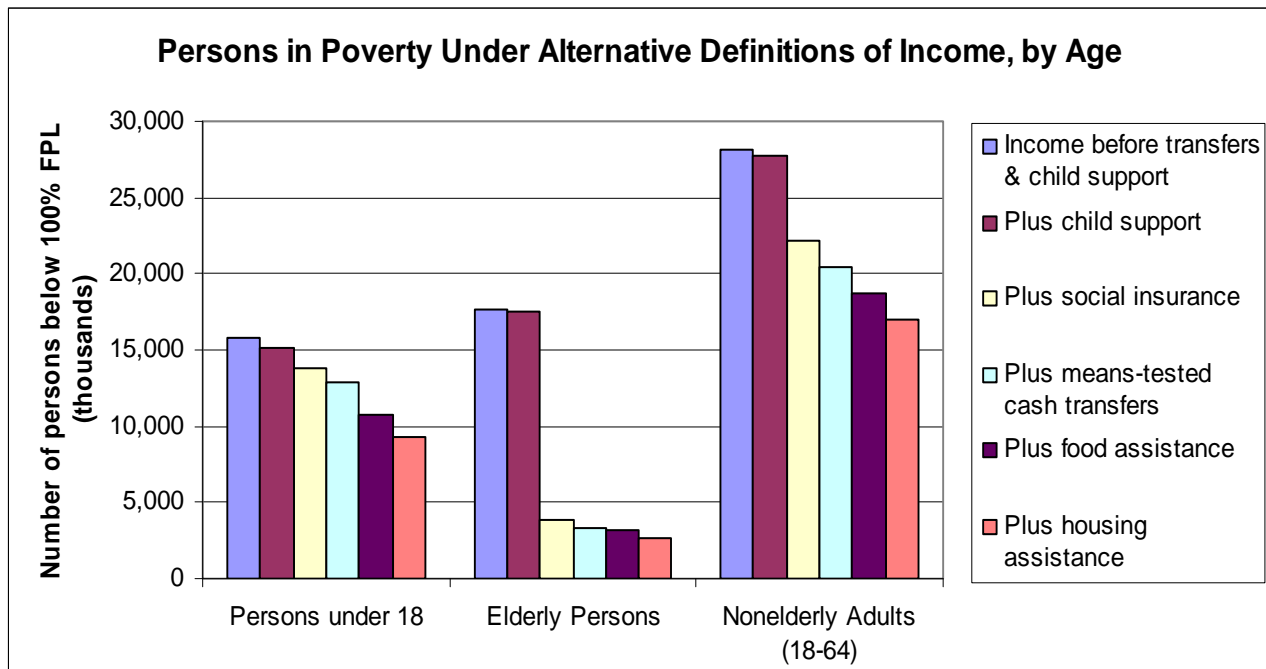
Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

² Although child support is paid by nonresident parents, much of it is collected and distributed through the government's Child Support Enforcement Program.

³ This estimate is obtained by comparing cash income plus food and housing assistance to the standard poverty threshold. Some estimates based on expanded definitions of income use poverty thresholds that have been adjusted for consistency with the expanded income definition (Dalaker 2005).

How Do Government Programs Affect Poverty?

Social insurance plays a major role in poverty reduction, particularly for the elderly—removing 14 million elderly persons from poverty in 2004. Means-tested cash transfers removed 900,000 children from poverty, 500,000 elderly persons from poverty, and 1.8 million nonelderly persons from poverty in 2004.



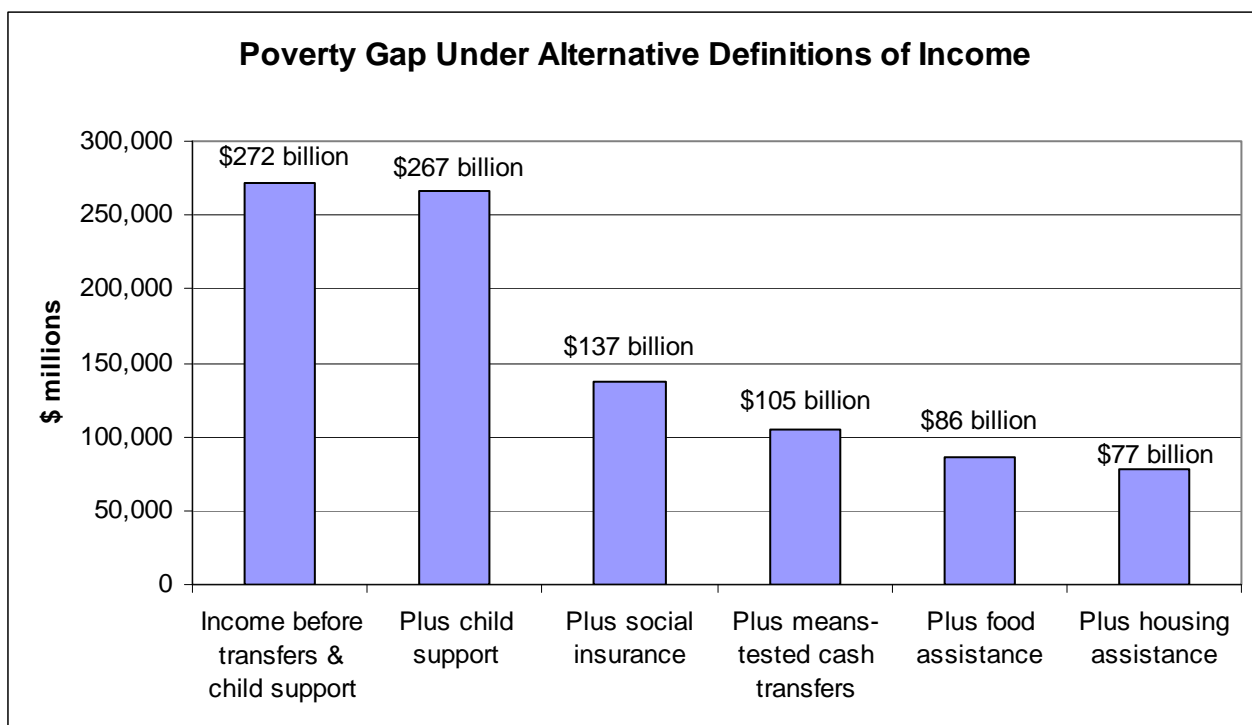
Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

How Do Government Programs Affect the Poverty Gap?

In the absence of government assistance and child support paid by nonresident parents, the poverty gap would be \$272 billion.

- Child support reduces the poverty gap by \$5 billion.
- Social insurance programs reduce the poverty gap by \$130 billion.
- Means-tested cash-assistance programs reduce the poverty gap by \$32 billion.

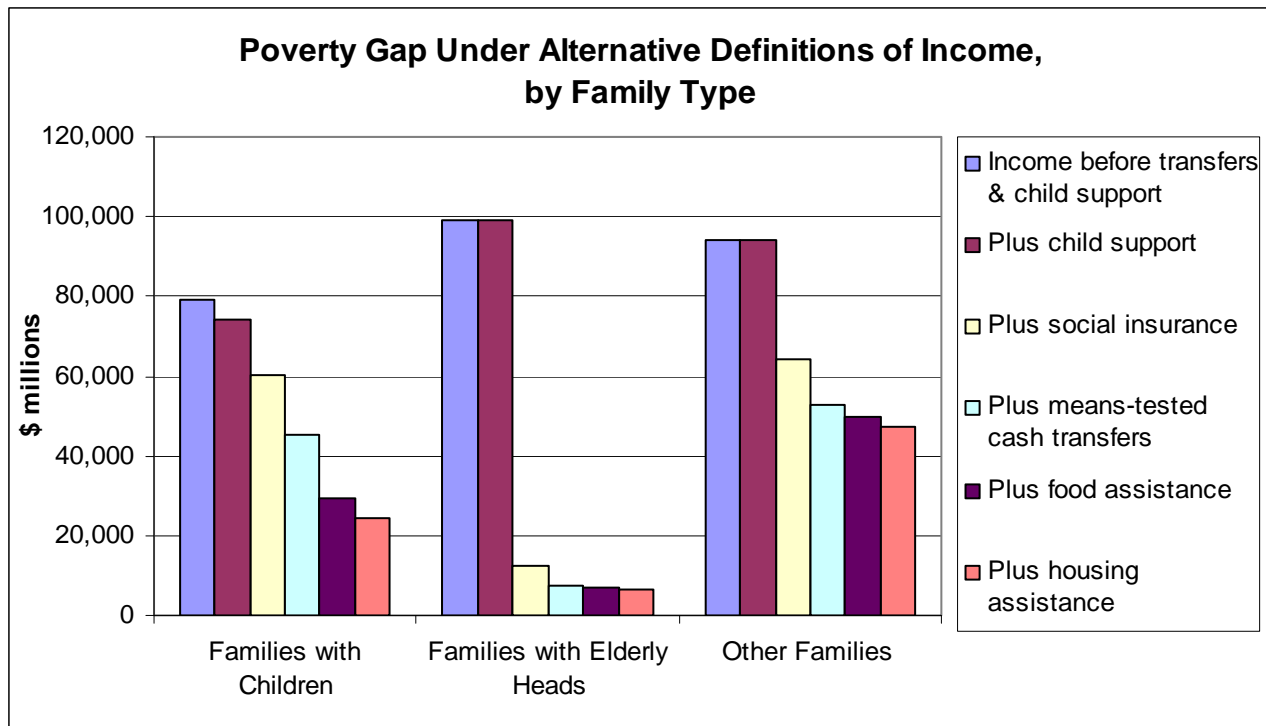
Food and housing assistance are not counted as income in the standard poverty definition. If they were, the poverty gap would be reduced by an additional \$28 billion.



Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

How Do Government Programs Affect the Poverty Gap?

Social insurance reduces the poverty gap by \$14 billion for families with children, \$86 billion for elderly-headed families, and \$30 billion for other families in 2004. Means-tested cash transfers reduce the poverty gap by \$15 billion for families with children, \$5 billion for elderly-headed families, and \$12 billion for other families.



Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Note: "Families with Children" include all families containing a person under 18 who is not the head or spouse. "Families with Elderly Heads" include families where the head is aged 65 or older and there are no children under 18. "Other Families" include all other families. Single-person families are included in all counts of families.

Supporting Tables

Table 1
Number and Percent of Persons by Family Cash Income as a
Percent of the Federal Poverty Threshold, 2004

	Number of Persons (in thousands)				Percent of Persons			
	All Persons	Persons under 18	Elderly Persons	Nonelderly Adults (18-64)	All Persons	Persons under 18	Elderly Persons	Nonelderly Adults (18-64)
Total	291,155	73,390	35,213	182,552	100%	100%	100%	100%
Cash Income as Percent of Poverty Threshold								
<50%	13,520	4,839	579	8,102	4.6%	6.6%	1.6%	4.4%
50<100%	23,114	8,028	2,762	12,324	7.9%	10.9%	7.8%	6.8%
<100	36,634	12,867	3,341	20,426	12.6%	17.5%	9.5%	11.2%
100<150	26,103	7,801	5,064	13,238	9.0%	10.6%	14.4%	7.3%
150<200	28,313	8,279	4,964	15,070	9.7%	11.3%	14.1%	8.3%
200<300	50,218	13,412	7,494	29,312	17.2%	18.3%	21.3%	16.1%

Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Supporting Tables (continued)

**Table 2
Number and Characteristics of Poor
and Near-Poor Persons in 2004**

	Number of Persons (in thousands)				
	Under 50% of Poverty	Under 100% of Poverty	Under 200% of Poverty	Total United States	Percent under 100% of Poverty
Total United States	13,520	36,634	91,049	291,155	12.6%
Race					
White	6,304	16,899	46,464	195,301	8.7%
Black	3,445	8,588	17,198	35,315	24.3%
Hispanic	2,876	8,870	21,763	41,839	21.2%
Other	896	2,276	5,625	18,701	12.2%
Gender					
Male	6,024	16,327	41,283	142,750	11.4%
Female	7,496	20,307	49,767	148,405	13.7%
Age					
<18	4,839	12,866	28,946	73,821	17.4%
18-24	2,309	4,988	10,691	27,972	17.8%
25-54	4,813	12,651	31,362	124,617	10.2%
55-64	981	2,787	6,680	29,532	9.4%
65+	579	3,341	13,369	35,213	9.5%

Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Note: The "other" race/ethnicity category includes non-Hispanic persons who report a race other than white or black/African American or who are of mixed race. Hispanic persons may be of any race.

Supporting Tables (continued)

Table 3
Number of Persons with Family Income below the Federal Poverty Threshold under Different Definitions of Income 2004

	Number of persons (in thousands)			
	All Persons	Persons under 18	Elderly Persons	Nonelderly Adults (18-64)
Total Population	291,155	73,822	35,213	182,120
Number of poor persons				
Income before transfers & child support	61,511	15,769	17,592	28,150
Plus child support	60,522	15,180	17,580	27,761
Plus social insurance	39,857	13,794	3,866	22,197
Plus means-tested cash transfers	36,634	12,866	3,341	20,426
Plus food assistance	32,609	10,720	3,153	18,736
Plus housing assistance	29,000	9,241	2,713	17,046
Number of persons removed from poverty due to				
Child support	989	588	12	389
Social insurance	20,665	1,387	13,714	5,564
Means-tested cash transfers	3,223	927	525	1,771
Food assistance	4,025	2,147	188	1,690
Housing assistance	3,609	1,479	440	1,690
Total removed from poverty	32,511	6,528	14,879	11,104

Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Note: The official poverty definition does not include food and housing assistance. This table shows the effect of food and housing assistance on reducing poverty by comparing cash income (plus food and housing assistance) to the federal poverty threshold.

Supporting Tables (continued)

Table 4
Poverty Gap under Different Definitions of Income 2004

	All Families	Families with Children	Families with Elderly Heads	Other Families
Poverty gap (millions of dollars)				
Income before transfers & child support	272,252	79,109	98,916	94,227
Plus child support	266,967	74,100	98,877	93,990
Plus social insurance	137,390	60,329	12,601	64,460
Plus means-tested cash transfers	105,575	45,203	7,654	52,718
Plus food assistance	86,115	29,409	7,104	49,602
Plus housing assistance	77,480	24,164	6,239	47,077
Reduction in the poverty gap due to (millions of dollars)				
Child support	5,285	5,009	39	237
Social insurance	129,577	13,771	86,276	29,530
Means-tested cash transfers	31,815	15,126	4,946	11,742
Food assistance	19,461	15,794	550	3,116
Housing assistance	8,634	5,244	866	2,524
Total reduction of poverty gap	194,771	54,945	92,677	47,150

Source: TRIM3 Microsimulation Model, using data from the 2005 Annual Social and Economic Supplement to the Current Population Survey.

Note: The official poverty definition does not include food and housing assistance. This table shows the effect of food and housing assistance on the poverty gap by comparing cash income (plus food and housing assistance) to the federal poverty threshold.

“Families with Children” include all families containing a person under 18 who is not the head or spouse. “Families with Elderly Heads” include families where the head is aged 65 or older and there are no children under 18. “Other Families” include all other families. Single-person families are included in all counts of families.

Source and Methodology

The results presented here were produced by the Transfer Income Model, Version 3 (TRIM3)⁴ using data from the 2005 Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS).⁵ TRIM3 poverty estimates may differ from estimates created using unadjusted CPS data, primarily because TRIM3 corrects for the underreporting of the major means-tested transfer programs in the CPS.⁶ The poverty rate for 2004, calculated using the unadjusted CPS data, is 12.7 percent (DeNavas-Walt, Proctor, and Lee 2005), slightly higher than the poverty rate estimated using the TRIM3-adjusted data (12.6 percent).

A family is counted as “poor” if the family’s total cash income is less than the federal poverty threshold for the family based on the family’s size, number of children under 18, and (for one- and two-person families) whether the family has an elderly head.⁷

A “family” consists of all related persons living within a household. Persons unrelated to anyone in the household are counted as one-person “families” and are included in all counts of families. TRIM3 treats unrelated individual children under the age of 15 (such as foster children) as part of the family containing the household reference person. This is different from the standard Census Bureau approach, which is to drop these children from the universe used for poverty analysis.⁸

“Cash Income” includes the following types of income:

Cash Income before Transfers and Child Support—includes income from wages, business self employment, farm self employment, interest, dividends, estates or trusts, rents or royalties, government pensions, private pensions, private workers compensation, private disability insurance, private educational assistance, regular

⁴ TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented here are attributable only to the authors of this report. TRIM3 is developed and maintained by the Urban Institute under primary funding from the Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

⁵ The ASEC is an annual survey conducted by the U.S. Census Bureau. The population represented in the ASEC is the civilian noninstitutionalized population living within the United States, plus armed forces personnel residing in a household with at least one civilian adult. The 2005 ASEC reflects the size and demographic characteristics of the population in March 2005 (the month in which most of the interviews are conducted) and contains information about the income received in 2004 (DeNavas-Walt, Proctor, and Lee 2005).

⁶ See Wheaton (2007) for a discussion of the extent of underreporting on the CPS and the effect of correcting for underreporting on poverty estimates.

⁷ The poverty thresholds used here are the standard poverty thresholds published by the U.S. Census Bureau at <http://www.census.gov/hhes/www/poverty/threshld/thresh04.html>.

⁸ The Census Bureau drops unrelated individual children under the age of 15 from the universe used for poverty calculation because the CPS does not collect income data for persons under 15, and so the incomes of these children cannot be determined. See <http://www.census.gov/hhes/www/poverty/povdef.html#5>.

Source and Methodology (continued)

contributions from outside the household (not counting child support), alimony, and other cash income of unidentified source.⁹

Child Support—includes CPS reported child support income, with TRIM3 correction for underreporting of child support for families receiving Temporary Assistance for Needy Families (TANF).¹⁰

Social Insurance—includes income from Social Security, Railroad Retirement, non-means-tested Veterans benefits,¹¹ workers compensation (excluding compensation from private policies), unemployment compensation, state temporary disability, and Black Lung benefits.

Means-Tested Cash Transfers—includes TRIM3 simulated Supplemental Security Income (SSI) and TANF, and CPS reported other public assistance,¹² means-tested Veterans benefits, and government provided educational assistance.

Food and housing assistance are not included in the standard poverty definition. However, where indicated, we show the effect of food and housing assistance on poverty by comparing cash income (plus food and housing assistance) to the federal poverty threshold.

Food Assistance includes TRIM3 simulated Food Stamp benefits, and the Census Bureau's imputed subsidy value for free and reduced-price school lunches for households reporting receipt of free and reduced price school lunches.

Housing Assistance includes the TRIM3 simulated housing subsidy for households reporting that they live in public housing or receive housing assistance from the government, plus the reported value of energy assistance.

⁹ CPS "other income" variable "OI-Val", if source (OI-OFF) is "anything else."

¹⁰ "Child support" includes amounts of current support retained by the government on behalf of TANF recipients (as reimbursement for families' welfare expenses). The retained child support is subtracted from income when means-tested cash transfers (which include TANF) are added to income.

¹¹ Veterans benefits are counted as "means tested" if the recipient indicates that he or she is required to fill out an annual income questionnaire for the Department of Veterans' Affairs.

¹² Other public assistance includes other cash payments from a state or county welfare office including General Assistance/Emergency Assistance, Diversion Payments, Refugee Cash and Medical Assistance, General Assistance from Bureau of Indian Affairs, and Tribal Administered General Assistance.

References

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DeNavas-Walt, Carmen, Bernadette D. Proctor, and Cheryl Hill Lee. 2005. *Income, Poverty, and Health Insurance Coverage in the United States: 2005*. P60-229. Washington, DC: U.S. Government Printing Office.

Wheaton, Laura. 2007. "Underreporting of Means-Tested Transfer Programs in the CPS and SIPP." 2007 Proceedings of the American Statistical Association (3622–29). Alexandria, VA: American Statistical Association. <http://www.urban.org/url.cfm?ID=411613>.