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SAFETY NET EFFECTIVE AT FIGHTING POVERTY BUT HAS WEAKENED FOR THE VERY POOREST

by Arloc Sherman

As mounting job losses threaten to push more Americans into poverty and make poor families still poorer, a new examination of the public benefits system finds that it is more effective in reducing poverty than previously known but has become less effective over the past decade in protecting Americans from deep poverty.

To paint a fuller picture of the effect of the public benefits system (sometimes referred to as the "safety net") in reducing hardship, this analysis adopts changes to the Census Bureau's official poverty measure recommended by the National Academy of Sciences (NAS), as explained in the methodological appendix. It also uses data from the U.S. Department of Health and Human Services on the receipt of public benefits that are more complete than Census data.

The good news is that the safety net reduces poverty substantially and is more effective at reducing poverty than has generally been recognized. When both broad social insurance benefits such as Social Security and programs targeted on low-income people such as food stamps are considered, the safety net lifts tens of millions of people out of poverty. More specifically, in 2005 (the latest year for which comprehensive data are available), the safety net as a whole:

- **Cut the number of Americans living in poverty by nearly half (44 percent),** lifting 31 million people above the poverty line.[1]

KEY FINDINGS

An improved poverty measure, using more accurate benefit data and following National Academy of Sciences recommendations, reveals that:

- Safety net programs are more effective at reducing poverty than previously known. They reduce the number of poor Americans by almost half – by nearly 31 million people.
- The safety net also reduces *deep* poverty effectively, lifting 76 percent of deeply poor children above half of the poverty line in 2005.
- Over the last decade, however, the safety net has grown less effective at protecting families from the deepest poverty, including families with unemployed workers.
- In 1995, the safety net lifted 88 percent of deeply poor children above half of the poverty line. By 2005 this figure was 76 percent. If the safety net had been as effective at keeping children out of deep poverty in 2005 as it was in 1995, there would have been 1.1 million very poor children in 2005; instead, there were 2.4 million.

[1] As explained in the appendix, this analysis considers a person to have been lifted out of poverty by a particular type of income if his or her family's income from all sources — including the specified type of income — is above the poverty line but would be below the poverty line if that type of income were excluded.

- **Reduced the severity of poverty for those who remain poor,** increasing their average disposable income from 29 percent of the poverty line to 64 percent.

- **Helped protect Americans from the deepest extremes of poverty,** cutting by 7.3 million — or more than three-quarters — the number of children living below *half* the poverty line. It also lifted 8.0 million children above three-quarters of the poverty line. (This analysis uses a poverty line equal to about $21,400 in 2005 for a couple with two children in a community with average housing costs, consistent with NAS recommendations.)

- **Was more effective at lifting children in less-deeply-poor families from just below the poverty line to above the poverty line than it had been a decade earlier.** Among children whose non-benefit income was between 75 percent and 99 percent of the poverty line, public programs lifted 65 percent above the poverty line in 2005, up from 51 percent in 1995.

The bad news is that the safety net has weakened over the last decade for families with children that have the lowest incomes and are in greatest need of help due to joblessness or other crises. In 2005, the safety net as a whole:

- **Protected a smaller share of children from deep poverty than it used to.** In 1995, the safety net lifted above *half* the poverty line 88 percent of children whose family incomes were lower than that before counting safety net benefits. By 2005, this percentage had declined to 76 percent. *If the safety net had been as effective at keeping children out of deep poverty in 2005 as it was in 1995, there would have been 1.1 million very poor children in 2005; instead, there were 2.4 million.*

- **Protected fewer jobless workers from deep poverty than it used to.** Among very poor unemployed workers looking for work in any given week, the safety net lifted 60 percent above half of the poverty line in 2005, down from 70 percent of very poor unemployed workers in 1995.[2]

Since these data were collected, the economy has entered a major recession, and Congress enacted the American Recovery and Reinvestment Act, designed to boost economic growth and ameliorate the harshest impacts of the recession on struggling families. The recovery package included many provisions that strengthen the safety net, though in most cases the improvements are designed to be temporary. These include a temporary boost in food stamp benefits, temporary expansions in the Earned Income Tax Credit and the Child Tax Credit, new incentives for states to make their unemployment insurance systems more accessible to jobless workers, and new funding for states that see an increase in the number of families receiving basic cash assistance through TANF programs and states that expand short-term help and subsidized employment programs for poor families.

[2] These figures are for workers who spent part of the year unemployed and looking for work. To estimate the average weekly number of unemployed workers in a given year, we weighted the data for each unemployed adult by the percentage of weeks during the year for which he or she reported having been unemployed.

These provisions will soften the impact of the recession on the extent and depth of poverty. (A previous Center analysis projects that the expansions in the EITC, Child Tax Credit, and the new Making Work Pay tax credit will stop 1 million children from falling below the poverty line.[3]) When the recession abates, it will be important to measure precisely the impact of these temporary measures and consider what longer-lasting improvements should be made in the safety net.

Programs Lift Millions of Americans Out of Poverty and Deep Poverty

There are two principal categories of income-support programs: those that provide benefits more or less regardless of income and those that limit assistance to people with low or modest incomes.

The first category, sometimes called "universal programs," includes the major social insurance programs, such as Social Security and unemployment insurance. Social Security alone lifts nearly 22 million Americans above the poverty line, including nearly 14 million seniors, who rely heavily on Social Security income in their retirement years. Unemployment insurance lifted about another 1.2 million Americans above the poverty line in 2005.[4] The universal category also includes other widely available benefits such as the Child Tax Credit, which lifted 2 million people above the poverty line in 2005, including 1.2 million children.[5]

Programs in the second category are often referred to as "means-tested" programs. They include programs like Supplemental Security Income (SSI) for low-income seniors and people with disabilities; cash assistance programs funded by the Temporary Assistance for Needy Families (TANF) block grant; programs that provide non-cash benefits like food stamps (now called the Supplemental Nutrition Assistance Program), housing assistance, and the Earned Income Tax Credit (EITC). They, too, play a large role in reducing the extent and severity of poverty. In 2005, means-tested benefits lifted 14 million low-income Americans above the poverty line.

Figure 1 summarizes the poverty-reducing effects of major means-tested benefits.[6] For example, the EITC lifted 5.1 million Americans above the poverty line in 2005. This includes 2.6 million children — more than any other single program.

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[3] See Arloc Sherman, "Recovery Agreement Temporarily Expands Child Tax Credit for Large Numbers of Children in Every State," Center on Budget and Policy Priorities, February 12, 2009, www.cbpp.org/files/2-12-09tax.pdf.

[4] The antipoverty effects of unemployment insurance can rise substantially in times of high unemployment, particularly in years when Congress provides additional weeks of benefits through emergency legislation. For example, in 2002, a year in which Congress provided extended unemployment insurance benefits, unemployment benefits lifted 1.9 million Americans above the poverty line, more than twice as many as in 2000 (819,000) and well above the number in 2005 (1.2 million).

[5] The Child Tax Credit provides a partially refundable federal income tax credit of up to $1,000 per child. In 2005, the credit was available to families that earned over $11,000. (It was expanded temporarily in the American Recovery and Reinvestment Act of 2009 so that it is now available to families that earn over $3,000.) A married family with two children loses eligibility for the credit when its earnings rise above $150,000. (The cutoff for a single-parent family with two children is $115,000.)

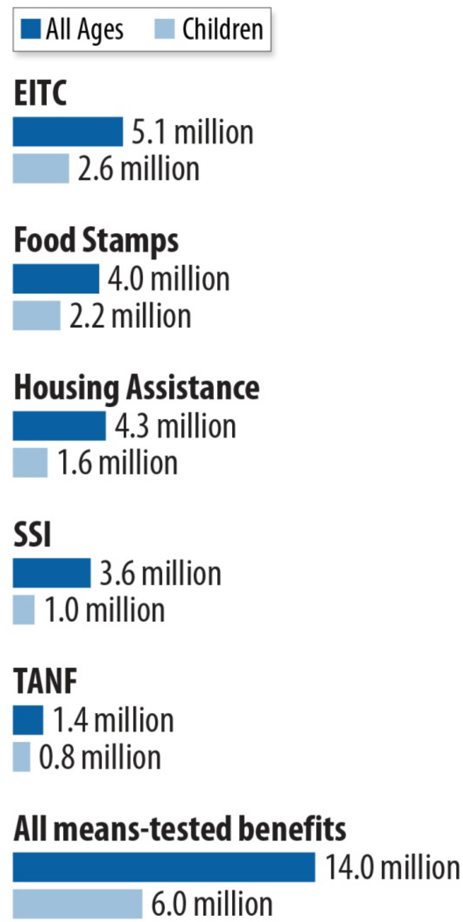
[6] Numbers in Figure 1 do not sum to the total for all means-tested benefits because we count individuals who need help from a combination of programs to reach the poverty line as "lifted above the poverty line" by each program but count them only once in the total. In addition, in this analysis, "all means-tested benefits" includes the estimated value of energy-assistance subsidies, which Figure 1 does not show separately.

It should be noted that housing programs reach relatively few households (due to limited funding) but have strong antipoverty effects for those they do reach. In 2005, about 10 million Americans in more than 4 million low-income households received housing assistance, well below the number that received food stamps, SSI, EITC, or any of the universal programs we examined.[7] Yet, as a share of those assisted, housing assistance reduced poverty more effectively than any other program: 44 percent of those who received housing assistance would be considered poor without it but were above the poverty line when their housing benefit was counted.

The means-tested safety net also plays a crucial role in easing *deep* poverty, particularly for families with children. In 2005, means-tested benefits cut by 56 percent the share of the nation's children who were below three-quarters of the poverty line; they reduced the share of the nation's children who were below *half* the poverty line by 72 percent.[8]

The appendix tables provide program-by-program details on the numbers of people lifted above half and three-quarters of the poverty line. Among other things, it shows that the Food Stamp Program does more than any other single program to protect *children* from deep poverty; in 2005, food stamps lifted 1.7 million children younger than 18 above half the poverty line and 2.5 million children above three-quarters of the poverty line. It also shows that after Social Security (which is not means-tested), SSI lifts the most Americans *of all ages* above half the poverty line — 3.8 million in 2005.

FIGURE 1:
People Lifted Above the Poverty Line by Major Means-Tested Benefits, 2005



Source: CBPP analysis of the Current Population Survey; additional data from HHS TRIM model.

Effectiveness Against Deep Poverty Has Weakened

Unfortunately, over the past decade, means-tested benefits have grown less effective at shielding children from deep poverty. This largely reflects dramatic declines in the antipoverty effects of cash assistance programs financed by the TANF block grant, as well as reductions in the effectiveness of

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[7] In these data, about 36 million people in 2005 lived in families with food stamps. About 17 million lived in families with SSI. About 56 million lived in families with EITC income.

[8] In this analysis, figures for people in deep poverty (below 75 percent or 50 percent of the poverty line) exclude people in families with negative incomes (i.e., incomes below zero). Some of these families are likely to have substantial resources but to report temporary business losses that take their income for the year into negative territory. The number of people with negative cash income is very small (fewer than 300,000 in 2005) and has virtually no effect on our estimates of people protected from poverty and deep poverty.

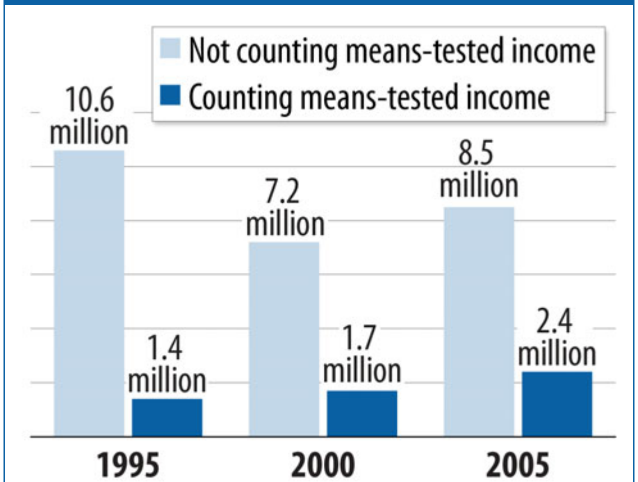
food stamps that were quite pronounced in the late 1990s and early 2000s (though food stamps' effectiveness has improved since then).

- In 1995, all means-tested benefits together lifted 87 percent of children who would otherwise have been below half of the poverty line out of deep poverty. By 2005 this figure had dropped to 72 percent.
- In 1995, AFDC (which preceded TANF) lifted 62 percent of children who would otherwise have been below half of the poverty line out of deep poverty. By 2005 this figure for the TANF program was just 21 percent.
- In 1995, the Food Stamp Program lifted out of deep poverty 61 percent of children who would otherwise have been below half of the poverty line. By 2005 this figure had dropped to 42 percent.

As the means-tested safety net for the poorest families has weakened, the number of children in deep poverty has grown significantly. The number of children living below half of the poverty line rose from 1.4 million in 1995 to 1.7 million in 2000 and to 2.4 million by 2005, nearly a 75 percent increase. The percentage of all children in deep poverty increased from 1.9 percent to 3.2 percent over this decade.

In fact, if means-tested benefits were as effective at keeping children out of deep poverty in 2005 as they had been in 1995, some 1.2 million fewer children would have lived below half of the poverty line in 2005 — a reduction of more than half.

FIGURE 2:
Children Below Half the Poverty Line Before and After Considering Family's Means-Tested Benefit



Source: CBPP analysis of the Current Population Survey; additional data from HHS TRIM model.

The erosion of the safety net's antipoverty effectiveness was concentrated at the very bottom of the income scale. For example, among children whose non-safety-net income was below 100 percent of the poverty line, the share lifted above the poverty line by all public benefits held steady at 37 percent from 1995 to 2005. Among children whose non-safety-net income was below 75 percent of the poverty line, the share lifted above three-quarters of the poverty line dropped from 67 percent to 59 percent, a decline of 8 percentage points. And for children whose non-safety-net income was below 50 percent of the poverty line, the share lifted above half of the poverty line dropped from 88 percent to 76 percent, a decline of 12 percentage points.

While the safety net for the poorest families has weakened, support for low-income working families with incomes just below or modestly above the poverty line has grown more robust. The main reasons are the large expansions in the EITC enacted in 1990 and 1993, expansions in the refundable portion of the Child Tax Credit in 2001, and the extension of public health insurance through Medicaid and the Children's Health Insurance Program (CHIP) for low-income working families.

As a result, the effectiveness of the safety net in lifting less-deeply-poor children above the poverty line increased over this period. Among children whose non-benefit income was between 75 percent and 99 percent of the poverty line, public programs lifted 65 percent above the poverty line in 2005, up from 51 percent in 1995.

What's Behind the Weakening Safety Net for the Poorest Families?

During the 1990s, federal and state policy changes made basic cash assistance programs for the poorest families with children less accessible while increasing supports for low-income working families. During the mid- to late 1990s, a strong economy coupled with these policy changes resulted in large increases in employment among low-skilled workers in general and single mothers in particular. Poverty among families with children fell.

Even as some families climbed above the poverty line, however, there were warning signs that others were falling deeper into poverty. Most of these families had periods of joblessness, due both to the nature of low-wage work and to individual crises and barriers to employment. Making matters worse, the economic boom halted after 2000 and the brief recession of 2001 was followed by years of labor market weakness. From 2000 to 2005, employment rates fell for single parents, and both poverty and deep poverty among children rose.

The largest single reason why the safety net protected fewer children against deep poverty was the loss of TANF. Over the 1996-2005 period, TANF cash assistance programs served a shrinking share of very poor families with children. The number of children shielded from deep poverty by TANF cash assistance dropped by 1.6 million — from 2.2 million in 1995 to 645,000 in 2005.

Department of Health and Human Services data show a similarly steep decline in participation in TANF cash assistance as a percentage of families that are poor enough to qualify for it (and that meet other TANF eligibility requirements). In the 1980s and early 1990s, about 80 percent of families eligible for cash assistance through AFDC received assistance. By 2005, the last year for which data are available, this figure (for TANF cash assistance) had dropped in half, to 40 percent. The decline chiefly affected families at high risk of deep poverty; in most states, a family seeking to qualify for TANF must have cash income well below the poverty line (below half the poverty line in the majority of states).

The reasons for this sharp drop in receipt of TANF cash assistance vary across states. They include a range of policies and administrative practices that led many poor families to leave the program even when they did not have a job, to be discouraged from applying at all, or to fail to successfully complete the application process. Many families lost assistance because of strict welfare-to-work rules and policies that terminated assistance to families that could not meet program requirements. While requirements to attend orientation sessions or seek work before applying for aid may seem reasonable, some families in the midst of a serious crisis and those with mental health or other health issues may be unable to comply with them. Research has consistently shown that families that lose assistance due to sanctions often have significant mental health or other health issues and other barriers to employment that may inhibit their ability to meet various requirements.

Similarly, many states placed new requirements on families applying for assistance. In addition, in some states, time limits on assistance have barred some very poor families from receiving assistance.[9]

In addition to creating TANF, the 1996 welfare legislation made large cuts to food stamps and other programs that weakened the safety net for the poorest families. These included across-the-board food stamp cuts that affected millions of low-income Americans — including children, the elderly, and people with disabilities — as well as targeted eligibility changes that denied benefits to many legal immigrants, unemployed childless adults, and others. While some of the food stamp cuts were later restored, the majority remained in place in 2005. (Some of the remaining food stamp cuts were reversed in the 2007 farm bill, but others remain in place. The recovery package temporarily increased food stamp benefits.)

States have also largely eliminated cash assistance for unemployed childless individuals who do not qualify for unemployment insurance. Most states eliminated their general assistance programs — formerly the safety net of last resort for this group of people — in the late 1980s and early 1990s, except for programs for people with disabilities. Also, with some exceptions, the 1996 welfare law barred out-of-work childless adults age 18-50 from receiving food stamps for more than three months at a time. (The recent recovery act has temporarily relaxed this rule.)

Conclusion

The safety net protects millions of Americans from poverty and, especially, from deep poverty. In 2005 it protected 31 million people from poverty and kept 34 million from slipping below half of the poverty line. Nonetheless, this protection became weaker for children in the poorest families from 1995 to 2005.

Since 2005, much has changed. The unemployment rate has doubled as a result of the recession. The economic recovery legislation enacted early in 2009 provided a strong response, although the response is temporary, and joblessness and poverty tend to remain elevated for years after a recession formally ends. Even after joblessness eventually returns to its pre-recession level, the question of how to better protect the nation’s poorest families and children will remain.

[9] The HHS estimates of declining participation rates in TANF do not include those affected by TANF time limits. Time limits are an additional factor contributing to the weakening of the safety net.

Methodological Appendix

This Appendix describes how we performed these calculations, including how we determined individuals' poverty status and the numbers of people lifted out of poverty and deep poverty.

Determining Poverty Status and Deep Poverty

This analysis differs from past work by the Center and other organizations to examine the effect of the safety net on poverty. Like past work, it starts with household-by-household data from the Census Bureau's Current Population Survey (CPS). However, it goes further than past work in addressing well-known criticisms of the official Census Bureau poverty measure. These criticisms include:

- The Census measure does not include non-cash and tax-based benefits, which have grown as a means of support for poor families in the last three decades.

- The CPS significantly underreports receipt of certain benefits. (Census's counts of program participants typically fall well short of the totals shown in actual administrative records.)

- The Census measure does not take into account resources that households devote to taxes, work expenses, and health care and thus are unavailable to meet basic needs such as food, clothing, and shelter.

- The poverty line itself does not vary by geographic area to reflect the significant differences in the cost of living across the country.

- The poverty line is too low and does not keep up with the cost of basic needs.

To address these concerns, this analysis takes the following steps, following wherever possible the recommendations of the National Academy of Sciences' 1995 expert panel on poverty measurement:[10]

- **Measuring income on a post-tax, post-transfer basis.** As recommended by the NAS panel, we include in the measure of income the value of non-cash benefits (other than health benefits such as Medicaid and CHIP) and the net impact of taxes. Specifically, we include the market value of food stamps and housing subsidies, the family's share of low-income home energy assistance (from the CPS), and estimates of what each tax filer owes in federal and state income taxes and payroll taxes as calculated by the Census Bureau (available in the CPS file). We do not subtract state sales tax because the data needed to do that are not available.

- **Correcting for underreporting of benefits.** We go beyond the NAS recommendations by using data on TANF, SSI, and food stamp receipt from the Transfer Income Model (TRIM)

[10] National Research Council, *Measuring Poverty: A New Approach* (National Academy Press: 1995).

developed for the Department of Health and Human Services.[11] The TRIM data start with the CPS data and add to it by assigning extra benefit income to some individuals in the CPS who did not answer all of the CPS questions. For example, someone who skipped a question about whether he or she received food stamps might be assigned food stamp income. (Unlike in the CPS, the total number of recipients in the TRIM data is designed to approximate actual administrative totals.[12]) TRIM data files are currently available through 2005. We also incorporate updated estimates of the value of housing subsidies.[13]

- **Subtracting out-of-pocket medical expenses and work expenses (including child care) from income.** Following the NAS recommendations, we subtract these expenses from the income measure. To estimate the size of these expenses, we follow procedures provided by the Census Bureau and Bureau of Labor Statistics.[14]

- **Counting unmarried partners.** Unlike the official poverty measure, we treat unmarried partners as part of the family, as recommended by the NAS panel. (We do not do this for relatively transient partners. Some boyfriends or girlfriends may not have been present in the household for most of the previous year and may not have been regular contributors to the

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[11] TRIM is developed and maintained by the Urban Institute under contract with the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. Documentation of the TRIM Model is at http://trim3.urban.org/T3Technical.php. While the model was developed in large part to allow users to compare current policies with proposed policies, we use data only for TRIM's "baseline" (or current-policy) scenario.

[12] In producing the CPS files, the Census Bureau, like TRIM, also assigns benefits for some people with missing data. Unlike TRIM, however, Census does not use this process of assigning missing benefits to try to match the actual number of recipients shown in program records.

[13] Our estimates of the value of housing subsidies rely on CPS data to identify who lives in subsidized or publicly owned housing, combined with a Census Bureau formula for estimating the value of those subsidies. The formula equals the estimated fair market rent minus 30 percent of household cash income. (The precise fair market rent level for a family is typically unavailable because the Census data files, to preserve confidentiality, do not list the county in which a family lives. To get around this problem, we use a weighted average of HUD local Fair Market Rent levels for each family's state, broken down further by whether the family lives in a metropolitan or non-metropolitan area of the state, and by the estimated number of bedrooms in their housing unit.)

[14] Because medical expenditure data are not available directly from the CPS, they must be estimated using a formula. In this analysis, we estimate each family's out-of-pocket medical spending by starting with the medical share of the poverty line (specifically, a version of the NAS poverty line referred to in Census publications as "MIT" or "**M**edical-out-of-pocket-expenditures **I**n the **T**hresholds") for a standard family of two adults and two children. We adjust that amount up or down using a set of ratios provided by the Census Bureau that depend on the family's size, health insurance status, and age. That yields the family's own estimated medical out-of-pocket expenses. We subtract those expenses from family income prior to comparing family income to the poverty line. (The NAS poverty line we use is the appropriate one for this comparison, namely, the MIT line minus the medical share. The result is by definition identical to using the Census Bureau's MIT method. As a mechanical matter, however, we follow the original NAS recommendations by treating these medical expenses as an item to be subtracted from income rather than as part of the bundle of basic needs.)

Our estimates of work expenses also rely on formulas provided by the Census Bureau. The formulas are based on data on median weekly out-of-pocket child care expenses and other work-related expenditures from the Survey of Income and Program Participation. Values vary depending on year, weeks worked, number and ages of children (in the case of the child care formula), and other family characteristics. The estimated value of work expenses is capped at the value of the worker's earnings. A couple's child care expenses are further capped based on the earnings of the lower-earning spouse (although, in practice, few couples have estimated child care expenses large enough to be affected by this cap).

family's budget. We count partners who have been present for 12 months.[15])

- **Adjusting the poverty line itself.** We use alternative poverty lines based on the NAS recommendations. These alternative poverty lines are based on the cost of very basic needs — food, clothing, shelter, utilities, and (in the words of the NAS panel) "a little more" — and vary geographically based on housing costs. The poverty line is initially set using the 33rd percentile of expenditures on food, clothing, shelter, and utilities — that is, the minimum amount that all but the bottom one-third of families spend on these basic needs. The table below shows NAS-style poverty lines for a standardized family of four, consisting of a couple with two children living in a community with average housing costs.[16] We calculate variations for different family sizes and geographic locations following procedures provided by the Census Bureau. Unlike the official Census poverty thresholds, NAS poverty lines are not increased each year using the consumer price index; instead they grow in proportion to increases in median family expenditures on basic needs. As a result, our NAS-style poverty lines start slightly higher than the official poverty lines and grow slightly faster (they are 1 percent higher than the official poverty line in 1995 and 8 percent higher in 2005).[17] However, this faster increase has only a

Poverty Lines for a Two-Adult-Two-Child Family: Official Thresholds and Thresholds Following NAS Recommendations

Year	Official	NAS	NAS ÷ Official
1995	$15,455	$15,593	1.01
2000	$17,463	$18,338	1.05
2005	$19,806	$21,395	1.08

Source: U.S. Census Bureau, Bureau of Labor Statistics, and Center calculations. (The version of the NAS threshold used here is consistent with our method of calculating medical out-of-pocket expenditures. It is the "MIT" threshold with the medical share removed. Note that this threshold does not include an amount for homeowners' mortgage principal payments. Including those payments would raise the NAS poverty line further.)

[15] Following the approach used in the TRIM model, we also treat unrelated household members younger than 15 living with no relatives as *de facto* family members of the head of household. This affects fewer than 200,000 poor children.

[16] As described in footnote 14, the version of the NAS threshold used here is essentially what Census publications call the MIT line with the medical share removed. Because 1995 thresholds were not available from Census, we estimated them by adjusting 1996 thresholds for inflation.

[17] Although the poverty line we use is based on NAS poverty lines found in Census publications, it may be too low. While it is designed to reflect a minimal spending level for food, clothing, and shelter, it leaves out the portion of shelter expenses that homeowners pay for mortgage principal. NAS poverty lines have excluded any amount for mortgage principal payments since the original 1995 NAS report, which noted that these payments were being left out only for reasons of "processing convenience." Preferably, the report said, an amount for these payments would be included in the poverty line. Recently, Census and Bureau of Labor Statistics staff have developed NAS poverty thresholds that would do so. This would raise the poverty line by about $2,000.

small effect on our results.[18]

Past Center analyses of the safety net have only included the first of these steps: measuring income on a post-tax, post-transfer basis.[19]

It is worth noting that Census staff and academic experts have experimented with a variety of ways to implement the NAS poverty measurement recommendations that vary in technical details. Recent Census Bureau publications have discussed and presented no fewer than 12 variations of the NAS poverty measure. For the purposes of this analysis, we have tried to adopt the choices that come closest to the original NAS recommendations[20] with the important addition of the TRIM corrections for underreported benefit income.

We use the same income measure and poverty lines to determine deep poverty as we use for poverty. Because there is no official definition of deep poverty, we look at two levels of income: families with income below 75 percent and below 50 percent of the NAS poverty line.[21]

Calculating Who Is Lifted Out of Poverty and Deep Poverty

This analysis examines people whose family income is lifted above the poverty line — or above half or three-quarters of the poverty line — by one or more forms of government assistance.

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[18] If we had adjusted our poverty thresholds each year with the consumer price index, our findings on trends in deep poverty would have been very similar to those in this analysis. For example, the share of children below half the poverty line would have risen from 1.9 percent in 1995 to 2.8 percent (rather than to 3.2 percent) in 2005. The share of otherwise-deeply-poor children lifted above half the poverty line by means-tested benefits would have fallen from 87 percent in 1995 to 74 percent (rather than to 72 percent) in 2005.

In contrast to our deep poverty findings, our findings on trends in overall poverty would have shown greater improvement if we had used an inflation-adjusted threshold. For example, if we had adjusted our poverty thresholds each year with the consumer price index starting in 1995, the overall poverty rate for all ages would have declined from 13.1 percent in 1995 to 11.6 percent in 2005, rather than edging upward to 13.5 percent as in our series. This 1.5 percentage point decline resembles the decline in the official poverty rate (from 13.8 percent in 1995 to 12.6 percent in 2005, a decline of 1.2 percentage points).

[19] See Arloc Sherman, "Easing Poverty and Ensuring Medical Coverage," Center on Budget and Policy Priorities, revised August 17, 2005, www.cbpp.org/7-19-05acc.htm.

[20] Overall, the NAS poverty measure we calculate here is most similar in approach to the version that the Census Bureau calls MIT-GA-CE, or **M**edical out-of-pocket expenditures **I**n the **T**hresholds, with **G**eographic **A**djustment in the poverty lines, and adjustment of the poverty lines using **C**onsumer **E**xpenditures on basic needs. As previously noted, however, we address medical expenditures as an adjustment to income rather than to the poverty threshold, and we use a larger family unit.

[21] Traditionally, analysts have considered those with incomes below 50 percent of the poverty line to be in "deep" or "extreme" poverty. Typically, however, the 50 percent threshold has been used in conjunction with a measure of *cash* income. That is, a family with cash income below 50 percent of the official poverty line was considered to be in "deep poverty" even if the family received food stamps or housing assistance that lifted its total purchasing power above this threshold. Using the 50 percent threshold results in a narrower, more stringent definition of deep poverty when one adopts, as we do, the NAS income definition and NAS poverty thresholds. That is chiefly because our income measure includes non-cash and tax-based benefits, as well as adjustments for underreported benefit income. A 75-percent-of-poverty standard under an NAS-based measure may be more comparable to the traditional 50-percent-of-poverty standard under the official cash measure.

In this analysis, a person is considered to be lifted out of poverty by a given program or group of programs if his or her family's total income from all sources is above the poverty line but would be below the poverty line if the income type in question were excluded.

In 2005, for example, 39.6 million people lived in families with income below the poverty line by our measure. But if income from all government safety-net programs (including both means-tested and non-means-tested programs) were excluded, 70.4 million people would have below-poverty income. The difference — 30.8 million — is the number lifted above the poverty line by the safety net.

Under this method, a family can be lifted above the poverty line by more than one program. For example, consider a family with $15,000 in earnings, $3,000 in food stamps, $4,000 in EITC, and a $20,000 poverty line. The family's non-EITC income (earnings plus food stamps) totals $18,000, which is below the poverty line. Adding the EITC brings the family to $22,000, or above the poverty line. Therefore, the family is considered to be lifted out of poverty by the EITC.

Our method also counts this family as lifted out of poverty by food stamps: the family's non-food-stamp income (earnings plus EITC) totals only $19,000, but adding food stamps pushes the family to $22,000. Many people are lifted out of poverty by a *combination* of benefits, so more than one of the benefits in our analysis can be credited with raising them above the poverty line.

Appendix Table 1 shows, for each program, the steps in the calculation. The second and third rows of the table show the actual number and percentage of people below the poverty line. The next nine rows show how many people *would be* poor if a particular benefit were excluded.

For example, while almost 34.7 million Americans were actually in poverty in 1995 by our measure, 39.6 million would have been in poverty without the income they received from the EITC.[22] The difference between these two figures, roughly 4.9 million, is the number of people lifted above the poverty line by the EITC.

The bottom section of Appendix Table 1 shows the percentage by which the particular benefit reduced the number of poor people. For instance, the EITC reduced the number of poor people in America in 1995 by 12 percent. (Put another way, the 4.9 million people lifted above the poverty line by the EITC in 1995 made up 12 percent of those whose income *not counting the EITC* was below the poverty line.)

Appendix Tables 2 and 3 repeat this information for people in families below 75 percent and 50 percent of the poverty line, respectively. For example, Appendix Table 2 shows that the EITC reduced the number of Americans below 75 percent of the poverty line by 19 percent in 1995. Appendix Table 3 shows that the EITC reduced the number of Americans below 50 percent of the poverty line by 15 percent in 1995.

[22] These calculations assume that a family's other income sources remain unchanged.

APPENDIX TABLE 1. Effects on Poverty of Specified Income Sources

Poverty is measured using NAS methods. TANF, SSI, and food stamp amounts are corrected for underreporting using data from HHS's TRIM model. Figures assign unmarried partners, and unrelated persons under 15, to the head of household's family. Appendix Tables 2 and 3 (figures on deep poverty) exclude families w ith negative cash income.

Numbers are in thousands.

	All Ages			Under 18		
	1995	2000	2005	1995	2000	2005
Population	264,314	276,540	293,834	71,148	72,553	73,985
Poor	34,690	32,842	39,575	11,881	10,745	11,221
As a percentage of population	13.1%	11.9%	13.5%	16.7%	14.8%	15.2%
Would be poor if the following family income were <u>not</u> counted:						
All public benefits*	64,331	59,140	70,357	18,778	15,692	17,790
Social Security	54,172	51,831	60,661	13,166	11,816	12,413
Unemployment Insurance	35,910	33,661	40,733	12,367	11,096	11,598
Means-tested benefits	50,490	45,345	53,588	19,203	16,213	17,215
TANF	38,842	34,294	40,957	14,351	11,577	11,991
SSI	38,545	36,421	43,212	13,140	11,768	12,235
Food stamps	40,119	35,540	43,611	14,927	12,322	13,446
Housing assistance	39,498	36,500	43,860	14,139	12,246	12,865
EITC	39,610	37,721	44,642	14,471	13,369	13,841
Home energy assistance	34,835	32,983	39,776	11,931	10,790	11,291

(Example: In 1995, 40.1 million Americans lived in families whose non-food stamp income was below the poverty line.)

Lifted above the poverty line by the following family income:**						
All public benefits*	29,641	26,297	30,782	6,898	4,946	6,569
Social Security	19,482	18,988	21,086	1,286	1,071	1,192
Unemployment Insurance	1,219	819	1,158	486	351	377
Means-tested benefits	15,800	12,502	14,013	7,323	5,468	5,994
TANF	4,152	1,451	1,382	2,470	832	770
SSI	3,855	3,579	3,637	1,259	1,023	1,014
Food stamps	5,429	2,697	4,036	3,047	1,577	2,225
Housing assistance	4,808	3,657	4,285	2,258	1,500	1,644
EITC	4,920	4,879	5,067	2,590	2,624	2,620
Home energy assistance	145	141	201	51	45	70

(Example: In 1995, 5.4 million Americans lived in families whose income was lifted above the poverty line by food stamps.)

Lifted above, as a percentage of those who would be poor without the specified income source:						
All public benefits*	46	44	44	37	32	37
Social Security	36	37	35	10	9	10
Unemployment Insurance	3	2	3	4	3	3
Means-tested benefits	31	28	26	38	34	35
TANF	11	4	3	17	7	6
SSI	10	10	8	10	9	8
Food stamps	14	8	9	20	13	17
Housing assistance	12	10	10	16	12	13
EITC	12	13	11	18	20	19
Home energy assistance	0	0	1	0	0	1

(Example: In 1995, food stamps lifted above the poverty line 14 percent of Americans who would otherwise have been poor.)

* "All public benefits" includes the listed benefits plus w orkers' compensation, veterans' benefits, and the net effect of all federal and state income taxes and payroll tax.

** Equals the number w ho w ould be poor w ithout the income minus the actual number in poverty.

APPENDIX TABLE 2. Effects on Deep Poverty (Below 75% of Poverty Line) of Specified Income Sourc

Poverty is measured using NAS methods. TANF, SSI, and food stamp amounts are corrected for underreporting using data from HHS's TRIM model. Figures assign unmarried partners, and unrelated persons under 15, to the head of household's family. Appendix Tables 2 and 3 (figures on deep poverty) exclude families w ith negative cash income.

Numbers are in thousands.

	All Ages			Under 18		
	1995	2000	2005	1995	2000	2005
			287			
Population	264,280	276,257	293,548	71,144	72,460	73,918
Below 75% of Poverty Line	15,970	15,645	20,776	4,988	4,678	5,468
As a percentage of population	6.0%	5.7%	7.1%	7.0%	6.5%	7.4%
Would be below 75% of poverty if the following family income were <u>not</u> counted:						
All public benefits*	52,556	46,606	56,907	14,984	11,518	13,491
Social Security	35,484	34,637	42,615	6,328	5,708	6,704
Unemployment Insurance	16,812	16,284	21,390	5,299	4,923	5,632
Means-tested benefits	36,334	30,453	37,153	14,748	11,330	12,634
TANF	21,602	17,573	22,466	8,488	5,794	6,486
SSI	20,538	19,685	25,237	6,289	5,664	6,542
Food stamps	22,113	19,412	25,648	8,445	6,697	8,002
Housing assistance	19,641	18,514	24,297	7,017	6,120	7,025
EITC	19,740	19,353	24,243	6,958	6,652	7,263
Home energy assistance	16,044	15,765	20,882	5,013	4,739	5,509

(Example: In 1995, 22.1 million Americans lived in families whose non-food stamp income was below the 75% of the NAS poverty line.)

	1995	2000	2005	1995	2000	2005
Lifted above 75% of the poverty line by the following family income:*						
All public benefits*	36,586	30,961	36,131	9,996	6,840	8,023
Social Security	19,514	18,992	21,839	1,341	1,030	1,237
Unemployment Insurance	841	639	614	311	245	165
Means-tested benefits	20,364	14,808	16,377	9,760	6,652	7,166
TANF	5,632	1,928	1,690	3,501	1,115	1,018
SSI	4,567	4,040	4,461	1,302	986	1,074
Food stamps	6,143	3,767	4,872	3,457	2,019	2,534
Housing assistance	3,671	2,869	3,521	2,029	1,442	1,558
EITC	3,770	3,708	3,467	1,971	1,974	1,796
Home energy assistance	74	120	106	25	61	42

(Example: In 1995, 6.1 million Americans lived in families whose income was lifted above 75% of the poverty line by food stamps.)

	1995	2000	2005	1995	2000	2005
Lifted above, as a percentage of those who would be below 75% without the specified income source:						
All public benefits*	70	66	63	67	59	59
Social Security	55	55	51	21	18	18
Unemployment Insurance	5	4	3	6	5	3
Means-tested benefits	56	49	44	66	59	57
TANF	26	11	8	41	19	16
SSI	22	21	18	21	17	16
Food stamps	28	19	19	41	30	32
Housing assistance	19	15	14	29	24	22
EITC	19	19	14	28	30	25
Home energy assistance	0	1	1	1	1	1

(Example: In 1995, food stamps lifted above 75% of the poverty line 28 percent of Americans who would otherwise have been that deeply poor.)

* "All public benefits" includes the listed benefits plus w orkers' compensation, veterans' benefits, and the net effect of all federal and state income taxes and payroll tax.

** Equals the number w ho w ould be below 75% of the poverty line w ithout the specified income minus the actual number below 75% of the poverty line.

APPENDIX TABLE 3. Effects on Deep Poverty (Below 50% of Poverty Line) of Specified Income Sources

Poverty is measured using NAS methods. TANF, SSI, and food stamp amounts are corrected for underreporting using data from HHS's TRIM model. Figures assign unmarried partners, and unrelated persons under 15, to the head of household's family.

Appendix Tables 2 and 3 (figures on deep poverty) exclude families with negative cash income.

Numbers are in thousands.

	All Ages			Under 18		
	1995	2000	2005	1995	2000	2005
Population	264,280	276,257	293,548	71,144	72,460	73,918
Below 50% of Poverty Line	6,514	6,834	10,278	1,354	1,730	2,356
As a percentage of population	2.5%	2.5%	3.5%	1.9%	2.4%	3.2%
Would be below 50% of poverty if the following family income were not counted:						
All public benefits*	41,754	35,566	44,652	11,419	7,752	9,655
Social Security	23,249	23,414	29,986	2,275	2,449	3,385
Unemployment Insurance	6,935	7,034	10,666	1,492	1,796	2,464
Means-tested benefits	24,615	18,935	24,358	10,576	7,178	8,523
TANF	9,999	7,899	11,317	3,563	2,379	3,002
SSI	9,594	10,034	14,046	2,002	2,286	3,094
Food stamps	10,271	8,989	13,650	3,493	2,880	4,085
Housing assistance	7,230	7,828	11,610	1,665	2,216	2,943
EITC	7,642	8,382	11,776	1,908	2,530	3,125
Home energy assistance	6,540	6,868	10,313	1,360	1,740	2,370

(Example: In 1995, 10.3 million Americans lived in families whose non-food stamp income was below the 50% of the NAS poverty line.)

	1995	2000	2005	1995	2000	2005
Lifted above 50% of the poverty line by the following family income:*						
All public benefits*	35,241	28,732	34,374	10,065	6,021	7,299
Social Security	16,735	16,580	19,708	921	718	1,029
Unemployment Insurance	421	201	388	139	65	108
Means-tested benefits	18,101	12,101	14,081	9,222	5,447	6,166
TANF	3,485	1,065	1,039	2,209	649	645
SSI	3,081	3,201	3,768	649	556	737
Food stamps	3,757	2,155	3,372	2,139	1,150	1,729
Housing assistance	717	994	1,332	311	485	586
EITC	1,128	1,549	1,498	554	799	768
Home energy assistance	26	34	35	6	10	13

(Example: In 1995, 3.8 million Americans lived in families whose income was lifted above 50% of the poverty line by food stamps.)

	1995	2000	2005	1995	2000	2005
Lifted above, as a percentage of those who would be below 50% without the specified income source:						
All public benefits*	84	81	77	88	78	76
Social Security	72	71	66	40	29	30
Unemployment Insurance	6	3	4	9	4	4
Means-tested benefits	74	64	58	87	76	72
TANF	35	13	9	62	27	21
SSI	32	32	27	32	24	24
Food stamps	37	24	25	61	40	42
Housing assistance	10	13	11	19	22	20
EITC	15	18	13	29	32	25
Home energy assistance	0	0	0	0	1	1

(Example: In 1995, food stamps lifted above 50% of the poverty line 37 percent of Americans who would otherwise have been that deeply poor.)

* "All public benefits" includes the listed benefits plus workers' compensation, veterans' benefits, and the net effect of all federal and state income taxes and payroll tax.

** Equals the number who would be below 50% of the poverty line without the specified income minus the actual number below 50% of the poverty line.