Module

1

What is poverty, and how might we measure it?

A logical place to begin an exploration of poverty, is by asking "What exactly is poverty?" For many, a lack of income is what immediately comes to mind. Yet the question then becomes, what is "a lack of income?" How little money should one be earning to be considered living in poverty? This question can lead to a lively discussion. For example, in your exploration of poverty, you might begin by considering those things that you feel are absolutely necessary (e.g., housing, food, clothing, etc.), and what it costs in your community to obtain them.

Official Definition

The official definition of poverty used by the Census Bureau, draws an income line each year, and households falling below that line are considered to be poor. The line itself differs depending on the size of the household—it is lower for smaller sized households and higher for larger sized households. In 2016, the poverty line for a family of four was approximately $24,500. What this translates to on a weekly basis is $471 dollars per week. Keep in mind that this represents poverty at its most opulent level. For instance, the Census Bureau estimates that approximately 45 percent of those living in poverty fall below half of the poverty line. For a household of four, this would be attempting to survive on $236 dollars or less per week. In your group setting, try imagining what it would take to survive on this amount of income.

You will notice in using our calculator that one can assess the likelihood of encountering at least one year below the official poverty line. In addition, you can estimate your chances for encountering what we are calling near poverty (below 150 percent of the poverty line) and extreme poverty (below 50 percent of the poverty line). This provides a range of poverty estimates available to you. The specific poverty threshold levels for different size households, as well as a more detailed description of the technical manner in which poverty is measured, can be found by accessing the Census Bureau's poverty webpage.

More than Low Income

Yet is poverty simply a matter of low income? This is an important issue to discuss and contemplate as you begin your exploration of poverty. There are those who argue that poverty comprises more than just income. For example, the Nobel prize winning economist, Amartya Sen, argues that poverty translates into "a lack of freedom." In other words, those in poverty are severely confined in terms of the things they can do and accomplish in their lives. In European countries, poverty is routinely referred to as "social exclusion" or "social deprivation." This gets at the idea that those in poverty are often socially and politically disenfranchised. Can you think of other ways in which poverty might shape people's experiences beyond the lack of income? Again, contemplating the human meaning of poverty is an important avenue for beginning to engage with the subject.

How Estimates are Arrived At

Another issue to consider as you begin to explore the topic of poverty, is how the overall estimates of poverty are arrived at. Each year the Census Bureau surveys a large, representative sample of the entire United States. In that survey, individuals are asked to estimate their total household income from the prior year. Based upon that information, the Census Bureau determines a yearly U.S. poverty rate. These percentages are typically released in an annual report each September. In recent years the Census Bureau

has also released the results from what it calls "the supplemental poverty measure" report. This attempts to provide a more refined measure of poverty taken from the same survey information.

However, our poverty risk calculator estimates are based on a different economic and social survey. It is called the Panel Study of Income Dynamics (or PSID), and is the longest running longitudinal data set in the world. It began in 1968 by drawing a representative sample of U.S. households, and has followed them ever since. The PSID also includes children who have gone on to establish their own households. It is thus designed to be representative of the U.S. population in any given year. The great advantage of this data set lies in its longitudinal nature. By following the same individuals over time, we can see what happens to them in terms of a variety of economic and demographic changes. In particular we can measure the

likelihood of individuals falling into poverty at some point during their lives. As is the case with the Census Bureau, the PSID asks individuals to recall all of their income sources for the prior year. Based upon this information, we can then determine whether households fell below the poverty line or not.

In your discussions and thinking about poverty, it is important to keep in mind that all of the poverty data we have, whether from the Census Bureau or the PSID, is based upon survey information. As a result, there is always the chance that individuals will make mistakes in their ability to recall their sources of income. Nevertheless, it is the best that we can do in terms of being able to estimate the prevalence of poverty in the United States. Can you think of any other ways that we could derive an overall estimate of the extent of poverty? ★