II. Measuring poverty

Academics and policy advocates use varying measures and definitions to discuss and analyze poverty. There remains some standardization in the field of poverty research, including terms to denote its different levels, such as *extreme*, *deep*, *near*, or *twice-*. This short glossary defines the main three tools of poverty measurements, and introduces the most common categories.

Measures of poverty

Official poverty line

The method for establishing who is poor in the U.S.—the parameter of the so-called Poverty Threshold—is anachronistic. Not only is this measure over 50 years old, it is based on a 1955 Department of Agriculture report that estimated the average family used approximately one-third of its income on food. In 1963-1964, Mollie Orshansky, an economist with the Social Security Administration, helped establish the federal official poverty threshold by creating a minimum food consumption basket, the cost of which is multiplied by three. The resulting amount is understood to be the least amount of income a household needs to purchase basic goods. A household is officially considered poor if its income before taxes falls below this threshold, which is updated annually to reflect inflation and family size.

The reality is that in 2013, families spend about one-seventh of their budgets on food, with larger allocations going to transportation, healthcare, child care, etc. Advocates believe this calculation underestimates poverty by not accurately reflecting expenses today's households must meet. The measure also does not account for geographic variations.

In 2012, the official poverty rate for the population was 15 percent. If a family of four with two children under 18 made less than $23,283/year (or $11,720/year for a single-person family), that household was counted as poor.

Supplemental poverty measure

The supplemental poverty measure (SPM) was launched in 2011 in response to the limits of the official poverty measurement. To better reflect the current economy and household expenses, the SPM includes adjustments to a family's income and expenses before making its final calculation. Thus, when households receive tax, housing, and other government subsidies (e.g., through the Earned Income Tax Credit or Supplemental Nutrition Assistance Program), these supplements are added to their overall household income. At the same time, households' expenses—such as child care, work-related transportation and medical care—are added to their estimated costs of living. SPM thresholds are also sensitive to the difference in housing costs based on location. In 2012, the SPM poverty rate for the entire population was 16 percent. Because SPM includes subsidies that largely benefit families with children, poverty rates for children tend to be lower when using the SPM instead of the official poverty line; conversely, the rates for the elderly tend to be higher.

Relative poverty

Although not used as commonly in the U.S. as the first two measures, relative poverty is a measure used internationally to reflect how people are faring relative to others living in their country. A commonly used relative poverty threshold is set at 50 percent of the national average income. In the late 2000s, the U.S. relative poverty rate was 17 percent (the OECD average was 9.6 percent); that is, approximately 17 percent of the population had income at less than half of the national median level.

Categories of poverty

- **Extreme poverty**: A term predominantly used in international development literature, the World Bank defines extreme poverty as surviving on less than $1.25/day per person (2005 US dollars). A group of U.S. researchers at the National Poverty Center modified the definition to surviving on less than $2/day per person and identified the incidence of U.S. families living at or below this level. Between 1996 and 2011, they found that the number of families living on $2 or less per person, per day (i.e., $60 or less/month per person) increased from 636,000 to 1.65 million. The study also found that women, compared to 36.5 percent headed by married couples, headed 50.8 percent of households living in extreme poverty in 2011.

development and shape ordinary citizens' lived realities. *Individualistic* explanations focus on the role individuals play in their experience of poverty. With *functionalist* explanations, we consider the idea that poverty persists because it serves specific functions within the larger economic and social landscape.

Structural causes

Two key structural polic factors many scholars identify as foundational to poverty's existence and persistence include:

Neoliberal macroeconomic policies

Neoliberalism emerged as an ideology in the 1930s and it, perhaps more than any other economic or social policy, has contributed to the long-term rise in poverty in the U.S. over the past 30 years. To the layperson, the term is opaque and confusing (see this excellent presentation on the topic by the Barnard Center for Research on Women). But as a candidate in his 1980 campaign for the presidency, Ronald Reagan effectively translated neoliberal ideas into economic policies when he charged that "undue tax burden, excessive government regulation, and massive social spending" were responsible for economic decline in the country. Promoting the notion of "supply-side" or "trickle-down" economics, he proposed a tax cut, concentrated at the upper income brackets.

Corp Watch, a non-profit research group that advocates for corporate accountability and transparency, identifies five main facets of neoliberalism: (1) *Maximize the free market economy,* wherein capital, goods and services move freely with the natural result of a "trickle down" distribution of wealth. Restrictions (e.g., unions) will constrict economic growth, whereas institutional-level government subsidies (e.g. agriculture) and tax benefits for certain industries drive expansion of the free market; (2) *Minimize expenditure of government funds for social services,* including health and education, safety-net programs and infrastructure (roads, bridges and water supply maintenance); (3) *Reduce regulations* such as environmental protection and occupational safety as a precondition for economic growth; (4) *Privatize industries traditionally owned and operated by the government*, including railroads, highways, electricity, water, schools and hospitals; (5) *Replace the concept of "the public good" or "community"* with "individual responsibility". From this point of view, poverty is seen as a choice, not a systemic failure, and the onus is on individuals living in poverty to compensate for failing schools, low wages and unmet needs.

Economists have not reached consensus on Reaganomics (or neoliberalism) to this day. However, many economists agree that these policies, in combination, created concrete, enduring challenges to combatting poverty. As American History professor Joseph A. Palermo writes, under Reagan, the tax rate for wealthy Americans dropped by 20 percentage points (from 70 percent to 50 percent) while lower-income people's tax rate changed by 3 percentage points (from 14 percent to 11 percent); the national debt ballooned from $994 billion when Reagan took office in 1981 to $2.9 trillion when he left office in 1989; and the percentage of union workers as part of the private workers workforce fell by close to half, from approximately 20 percent in 1980 to 12.1 percent in 1990. During his 1976 campaign, Reagan began to lobby against "handouts" to the poor, and his successors, the first President Bush and then President Clinton fulfilled his goal to fundamentally change the poverty safety net. As a 2011 study by the National Poverty Center points out, "Between 1996 and 2011, the period directly after welfare reform ended cash entitlement for poor families with children, the number of families living on $2 or less in cash income (per person, per day) rose from 636,000 to 1.65 million. This represents a growth rate of 159 percent."

Palermo underscores the lasting effects of Reagan's neoliberal policies, including how "Deregulation, along with 'free trade' and cutting welfare spending, became bipartisan orthodoxy," and financial services deregulation, enacted toward the end of the Clinton administration, "took a mere eight years to bring the nation's economy to its knees."

Labor market inequality

The labor market in the U.S. today, not surprisingly, reflects the picture of extreme polarization and increasing inequality observed in the country as a whole. At each phase—from agriculture to manufacturing to its current service-based economy—the U.S. labor market has witnessed workers seeking better wages, reasonable hours and safe working conditions struggle against industry-level opposition and (at times) an unsympathetic general public.

For women, the particulars of labor market inequality endure in the form of a gender pay gap and occupational segregation. Despite recent reports that so-called millennial generation women are starting their careers with the smallest pay gap ever (earning 93 percent of their male peers' pay), the expectation is still that women's wages will lag behind, with the gap increasing as they enter their 30s. Overall, the pay gap is at 77 percent. Occupational segregation, put simply, is the idea

that women and men work primarily in industries predominated by other individuals of their gender. Problems arise, however, from the fact that overall, "men's jobs" are better paid than "women's jobs".

Women, particularly since the 2008 recession, are increasingly occupying low-wage jobs. In fact, women's "employment recovery" in terms of job growth has progressed at a greater rate than men's, but almost all of the jobs have been at the lowest end of the pay scale. As *Dissent* reports, "women make up just under half of the national workforce, but about 60 percent of the minimum-wage workforce and 73 percent of tipped workers." (Federal minimum wage for tipped workers is $2.13/hour). Because full-time federal minimum-wage level employment does not ensure that a family of four would remain above the poverty line, adding jobs in this area does not decrease the level of poverty among women. Across the workforce, high-skill, high-wage jobs and low-skill, low-wage jobs are increasing in number, while middle-skill, middle-wage white and blue-collar jobs are being squeezed out—a phenomenon some scholars call the polarization of job opportunities.

The compensation gap that exists between the lowest-paid and highest-paid workers within the same companies has widened exponentially. A study by the Economic Policy Institute found that between 1978 and 2011, CEO compensation grew by more than 876 percent, while that of an average worker increased by 5.4 percent. According to an executive pay survey conducted by the Wall Street Journal/Hay Group, Apple's Timothy Cook was the highest paid CEO in 2012 with $378 million in total direct compensation—i.e., an hourly wage of $121,000 (assuming a 60-hr work week). The average hourly wage for all workers in that year was $19.90.

Individualistic causes
According to Edward Royce, an expert on social stratification and inequality, there are three individualistic theories of poverty:

(1) *Biogenetic theory* proposes that people are born with different levels of intelligence and aptitudes, and these differences lead to some becoming poor, while others become rich. The controversial 1994 book *The Bell Curve: Intelligence and Class Structure in American Life* captured the theory, including the idea that racial differences in intelligence explain why poverty is persistent among racial/ethnic minorities;

(2) *Cultural theory* posits that some people lack motivation to succeed and their "culture of poverty" engenders intergenerational poverty. Ruby Payne's *A Framework for Understanding Poverty*, for example, argues that people who have been transgenerationally poor are noisy, disorganized, and unable to pursue goal-directed, future-oriented actions and need to be taught superior traits of the affluent; and

(3) *Human capital theory* is based on people making choices and living with the consequences of those decisions by suggesting that people with low education, skills and work experience earn less because they have chosen not to invest in increasing their education, skills and work experience. For example, the view maintains that women earn less because they value flexibility in work hours or conditions and therefore choose occupations that offer workplace flexibility.

In order for these theories to be valid, some assumptions have to be satisfied—i.e., everyone operates on a level, non-discriminatory playing field and are able to make free choices among comparable options. One's answer to whether the country has achieved these conditions is a personal and subjective matter (although: IQ tests have long been criticized for being culturally and class biased and people experience daily race, gender, sexual orientation, age and ability discrimination despite legal protections, etc.).

Many of these individualist-based notions of who is poor or on welfare carry more than a whiff of sexism, racism and stereotyping. According to Frank D. Gilliam, Jr., ideas about poverty within the U.S. are deeply informed still by the "Welfare Queen" myth, reinforced during Ronald Reagan's 1976 campaign for President. The myth, in short, was a riff on a real-life example of a Chicago woman who had committed fraud: "She has 80 names, 30 addresses, 12 Social Security cards and is collecting veteran's benefits on four non-existing deceased husbands. And she is collecting Social Security on her cards. She's got Medicaid, getting food stamps, and she is collecting welfare under each of her names." The two key stereotypes that emerged from the myth are, first, a "gender narrative" that "poor women choose to be on welfare because they fail to adhere to a set of core American values." The second is a racialized gender narrative: "while poor women of all races get blamed for their impoverished condition, African-American women commit the most egregious violations of American values. This story line taps into stereotypes about both women (uncontrolled sexuality) and African-Americans (laziness)." Never mind that research shows how little fraud poor people commit—this is the mythology that has prevailed.