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UNDERSTANDING THE CENSUS BUREAU'S UPCOMING REPORT ON POVERTY

Official Figures Will Miss Majority of Recovery Act's Assistance to Households

By Arloc Sherman

On September 16 the Census Bureau will release official figures on poverty in 2009.[1] Below are three facts to keep in mind when reviewing the new data:

1. Official Poverty Measure May Increase by Record Amount in 2009

We expect a large increase for 2009 in both the number of Americans in poverty and the percentage of the population in poverty. One or both measures may show record one-year increases on data that go back to 1959. (The existing records are increases of 3.2 million and 1.3 percentage points, both in 1980.)

The expected increase reflects the severe recession and the unusually large amount of *long-term* unemployment. The number of jobs dropped by more than 8 million between the start of 2008 and the end of 2009, with more than half (61 percent) of that loss occurring before the Recovery Act was enacted in February 2009. Moreover, by late 2009, the share of unemployed workers who had been out of work for more than six months topped 40 percent, another record. The longer people are out of work, the more likely they are to fall into poverty.

Part of what makes the expected increase in poverty — and the expected decrease in income — in 2009 more painful is that the current economic downturn follows an economic recovery with a dismal track record on these dimensions, having been the first recovery on record in which poverty was *higher* (and median income for working-age households *lower*) at the peak of the recovery (2007) than in the previous recession itself (2001).

[1] The figures will be part of the Census Bureau's annual release of national income, poverty, and health insurance data. The release will provide the best indication so far of recent trends in the financial well-being of households and how the recession has played out across different demographic groups. Preliminary state data also will be available, with more authoritative state and local data due out September 28 from the larger American Community Survey.

2. Official Figures Omit Impact of Large Parts of Recovery Act

The Census Bureau's official poverty data account for the cash income that households receive, including unemployment insurance (UI) benefits for jobless workers. But they leave out any assistance that families receive in the form of tax credits or non-cash benefits, such as food stamps.

This omission has a large effect on the poverty data for 2009 because the Recovery Act included substantial increases in tax credits for low-income working families and food stamp benefits in response to the economic downturn. Such assistance, which accounted for tens of billions of dollars in income to households, moderated the increase in and the severity of poverty for millions of Americans. This assistance will be ignored in the official poverty data.

Most notably, the official poverty data will not include the impact of $70 billion in Recovery Act tax credits for tax year 2009 for workers making up to $190,000, including the Making Work Pay Credit (much of which was distributed to workers throughout 2009 in the form of reduced payroll deductions) and expansions of the Child Tax Credit and the Earned Income Tax Credit. It also will not include the Act's $7.2 billion in increased food stamp benefits in 2009.

The federal government is developing new poverty measures that will count most of this missing income; the Census Bureau is expected to release these measures later this year.[2] The new measures likely will show a considerably smaller (although still very sizeable) increase in poverty in 2008 and 2009. A Center analysis last year projected that the Recovery Act kept several million Americans above the poverty line last year, mostly through forms of assistance that the official poverty measure does not count.[3]

The official poverty measure counts less than half of the Recovery Act's tax credits, UI benefits, and other direct income assistance to households counted by the broader poverty measures for 2009.

3. Poverty Likely to Rise Even Higher Next Year if Key Recovery Provisions Are Allowed to Expire

Unemployment data suggest the labor market remains very weak. Forecasters see the annual average unemployment rate rising from 9.3 percent in 2009 to at least 9.5 percent in 2010 and staying at 9 percent or higher in 2011. (The Congressional Budget Office and the Office of Management and Budget forecast an average unemployment rate of 9.0 percent in 2011; the Blue Chip consensus forecast is for a 9.3 percent average unemployment rate in 2011.)

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[2] These measures, which have been under development for several years, follow poverty measurement recommendations of the National Academy of Sciences (NAS) and incorporate adjustments for work expenses and medical costs as well as accounting for non-cash benefits and taxes. Census expects to release a number of experimental NAS-based measures in December, showing national trends through 2009. Census also hopes to release a preliminary version of its "Supplemental Poverty Measure," a refinement of the NAS-based measures that will incorporate subsequent research and new survey questions. The finalized version of the Supplemental Poverty Measure (described at www.census.gov/hhes/www/povmeas/SPM_TWGObservations.pdf) will be released annually starting next fall.

[3] Arloc Sherman, "Stimulus Keeping 6 Million Americans Out of Poverty, Estimates, Show," www.cbpp.org/files/7-6-09pov2.pdf.

Moreover, poverty is likely to remain high even longer than unemployment does. In each of the last three recessions, the poverty rate did not begin to decline until a year *after* the annual unemployment rate started to fall.

In addition, many of the Recovery Act's substantial benefits and tax credits for workers are expiring soon. The Recovery Act's increase in the weekly value of unemployment benefits expired in June 2010, while additional UI weeks for the long-term unemployed (which Congress last extended this summer) will expire on November 30. The TANF Emergency Fund jobs program will expire on September 30. The Recovery Act's new and expanded tax credits for working families expire after 2010.

Because those provisions provided substantial help to low- and moderate-income households and likely kept several million of them out of poverty, their expiration at a time when unemployment remains at very high levels would lead to significant increases in poverty (particularly as measured by the expanded poverty measure) and hardship in 2011.