



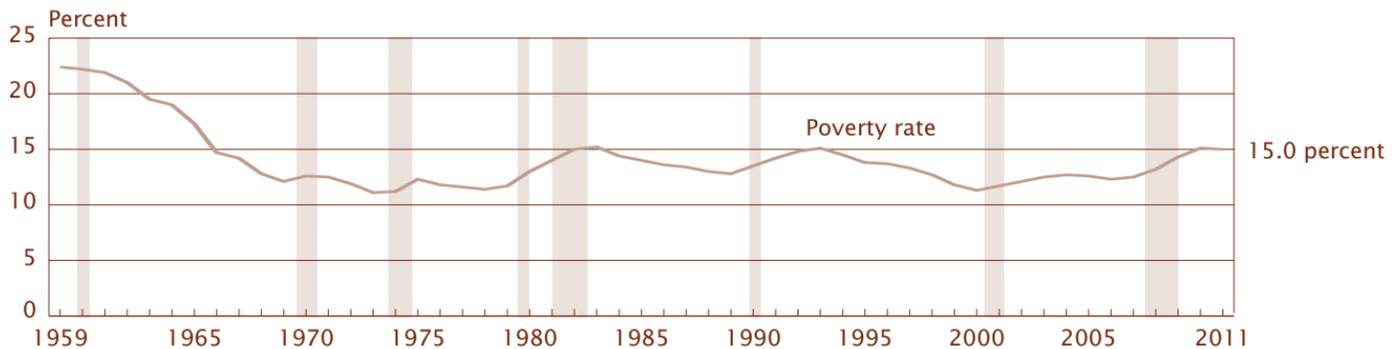
# Poverty Trends

July 31, 2013

## Declining Wages Require Growing Income Supports

Conversations about the War on Poverty often begin with this dispiriting fact: the official U.S. poverty rate is stuck at 15 percent, essentially where it was 50 years ago when the War on Poverty began.

### US Official Poverty Rate, 1959-2011<sup>1</sup>



How is this possible, when critical anti-poverty programs, such as food stamps (now called the Supplemental Nutrition Assistance Program, or SNAP) and the Earned Income Tax Credit (EITC) did not even exist 50 years ago?

### A Matter of Definition

Part of the answer can be found in the fact that the official poverty measure has not kept pace with the programs we have created to address it. For instance, some of the support from these safety-net programs is not counted in either the official measurement of income or the official poverty rate because this support is delivered as non-cash benefits and/or through the tax code. Using the supplemental poverty measure, which does count these programs, the Center on Budget and Policy Priorities estimates that the EITC and refundable child tax credit (CTC) lifted 9.4 million people out of poverty in 2011 and that SNAP lifted 4.6 million people out of poverty.<sup>2</sup>

### A Matter of Wages

The more fundamental answer has to do with the decline of wages, particularly at the low end of the labor market. Throughout the 1960s and 1970s, a minimum wage worker who worked full-time year round earned nearly enough to keep a family of three at the official poverty level. Starting in the late 1970s, the value of the minimum wage declined sharply, and the earnings of the full-time, year round minimum wage worker fell further and further below the poverty level. Where once the safety net was designed to assist those who were not expected to work, or who were temporarily out

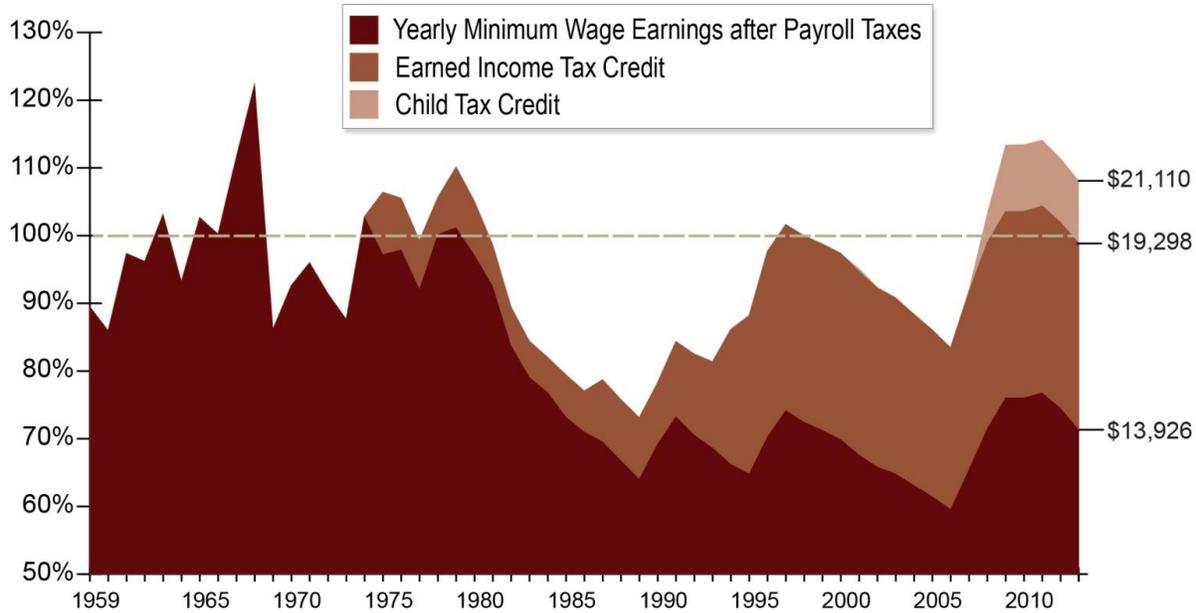
<sup>1</sup> *Number in Poverty and Poverty Rate: 1959 to 2011*, Income, Poverty and Health Insurance in the United States: 2011 - Tables & Figures, U.S. Census Bureau, <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2011/tables.html>.

<sup>2</sup> *Policy Basics: The Earned Income Tax Credit*, Center for Budget and Policy Priorities, February 1, 2013, <http://www.cbpp.org/files/policybasics-eitc.pdf> and Arloc Sherman, "Get Ready for Unfounded Attacks on the War on Poverty," Center for Budget and Policy Priorities, July 15, 2013, <http://www.offthechartsblog.org/get-ready-for-unfounded-attacks-on-the-war-on-poverty-2/>.

of work, today's largest safety-net programs do much more by supplementing the wages of low-earning workers, particularly those with children.

## Without EITC and CTC, Low-Wage Work Doesn't Work

Minimum Wage Worker's Earnings and Tax Credits as a Share of the Poverty Line for a Family of 3<sup>3</sup>



The 2013 poverty threshold for a family of three is \$19,530.

With the expansion of the EITC in the 1990s, the combination of the EITC and full-time minimum wage work was briefly enough to lift a family of three to the poverty level, fulfilling President Clinton's pledge that "if you work, you shouldn't be poor." However, this package again immediately began to be eroded by inflation and fell below the poverty line until the next minimum wage increase in 2007. Using the official poverty measure, a family of three with a single full-time wage earner is currently only at 71 percent of the poverty level without the refundable tax credits.

<sup>3</sup> Mark Greenberg, Indivar Dutta-Gupta, Elisa Minoff, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half*, Figure 5, April 2007, Center for American Progress Task Force on Poverty, [http://www.americanprogress.org/wp-content/uploads/issues/2007/04/pdf/poverty\\_report.pdf](http://www.americanprogress.org/wp-content/uploads/issues/2007/04/pdf/poverty_report.pdf); *History of Federal Minimum Wage Rates Under the Fair Labor Standards Act, 1938 - 2009*, U.S. Department of Labor, <http://www.dol.gov/whd/minwage/chart.htm>; *Poverty Thresholds*, U.S. Census Bureau, <http://www.census.gov/hhes/www/poverty/data/threshld/>; *Poverty Guidelines, Research, and Measurement*, U.S. Department of Health & Human Services, <http://aspe.hhs.gov/POVERTY/index.cfm>; *Earned Income Tax Credit Parameters, 1975-2013*, Tax Policy Center, January 28, 2013, <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=36>; *Child-Related Tax Credits, 2000-2013*, Tax Policy Center, January 14, 2013, <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=580>; and *Historical Social Security Tax Rates*, Tax Policy Center, February 26, 2013, <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=45>.