Poverty and the Social Safety Net

Part I: Who are Virginia's Poor?

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February 2012

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INTRODUCTION

The recent economic downturn and tenuous recovery have left many individuals and their families in precarious financial straits. Significant income losses—a direct consequence of the recession—have increased reliance on programs such as unemployment insurance and food stamps. Worries about unemployment and personal financial well-being are combined with increased uncertainty in light of record-high federal spending and state budget shortfalls.

This report is the first of a two-part series on poverty in Virginia and the group of public programs broadly called the “social safety net.” Part I examines the current state of poverty in Virginia. Part II illuminates the role of public programs developed to alleviate poverty and support secure financial futures for individuals across the economic spectrum.

MEASURING POVERTY

The federal poverty line (FPL) is the measure most frequently used to capture the economic status of low-income individuals. The original FPL was developed in the early 1960s by Mollie Orshansky, a food economist working for the Social Security Administration. Based on research on the eating habits of low-income families, her poverty measure estimated a family’s minimum overall income needs by tripling the cost of minimal food consumption. This measure, adjusted for family size and composition, established a set of income thresholds used to determine if a family was in poverty.

Orshansky’s thresholds became the basis of the official U.S. measure of poverty in 1969 and have not changed in basic structure since. In 2010, the FPL for a family of four, with two adults and two children, was just over $22,000 in annual income.

**Figure 1**

National and Virginia Poverty Rates 1980-2010
In recent decades, the accuracy of the Orshansky FPL has been questioned for many reasons, including:

1. The costs of many household necessities, such as medical expenses and child care, have risen over time, while food costs have declined as a proportion of family budgets. The structure of the FPL, however, has remained unchanged.

2. The FPL is a national standard and does not account for regional variation in costs of living.

3. The FPL does not fully account for public assistance programs and taxes that affect a household’s disposable income.\(^4\)

Alternative measures of poverty have been proposed that address some of these deficiencies. The U.S. Census Bureau recently released a Supplemental Poverty Measure (SPM) in November of 2011.\(^5\) This new measure accounts for current spending patterns among households, regional differences in costs of living, and the income effects of taxes. While promising, the SPM is currently in the research phase and estimates are unavailable for states and smaller geographies.

In addition, the concept of *income adequacy* has been introduced to address shortcomings of the official poverty measure. Instead of measuring what it takes to merely survive, as poverty measures in the U.S. tend to do, income adequacy focuses on what is required for households to be income self-sufficient, without reliance on public or private assistance. In Virginia, some measures estimate that it takes twice poverty income to be income adequate.\(^6\)

Despite its shortcomings, the official federal poverty line remains a widely used metric for identifying economic vulnerability. Unfortunately, applying the FPL as the sole metric of economic vulnerability captures neither the degree of economic distress among those in poverty, nor the presence of the broader population just above the FPL that struggles to support itself.

In an effort to reflect the reach of poverty in Virginia, this report examines multiple gradations of the FPL:

- **Deep Poverty** – those below 50% of the FPL, or roughly $11,000 for a family of four. This is typically used as a measure of severe income deprivation.

- **Near Poverty** – those not in poverty but with incomes less than 150% of the FPL. The near poor often rely on public assistance programs to make ends meet.

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**WHO IS COUNTED IN POVERTY STATISTICS?**

All official poverty statistics are based on a subset of the total population. Poverty status is not determined for people who

- live in a military barracks;
- live in a college dormitory;
- live in a nursing home;
- are inmates in prison;
- are minors living alone; or
- are homeless.

Virginia’s 2010 poverty rate is 10.8 percent for persons living in Virginia, except for those groups listed above.

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WHO IS AT RISK OF POVERTY?

For many individuals, falling below the poverty line is a brief, one-time experience. Others, however, are chronically poor. While the likelihood of chronic poverty declined in the 1990s, ever falling into poverty is an increasingly common event.\(^7\) By the age of 65

- fifty-one percent of Americans will have experienced a year of poverty at least once; and
- thirty percent will have fallen into deep poverty at least once.\(^8\)

While the risk of ever being in poverty is growing across the population, some groups remain more likely to experience poverty than others. Social and demographic characteristics associated with income and earnings—educational attainment, occupation, race, and gender—are strongly correlated with the likelihood of experiencing poverty or near poverty. Conditions that limit employment opportunities, such as disability, increase the likelihood of experiencing poverty.\(^9\)

POVERTY RATES IN VIRGINIA

Historically, Virginia has had lower poverty rates than the nation (Figure 1). Virginia’s poverty rate rises and falls with the regular boom and bust cycles of the broader economy. Yet, through good times and bad, Virginia’s poverty rates have typically been well below national numbers.

However, the poverty rate alone does not tell the whole story (Table 1). Five percent of Virginians—48 percent of those in poverty—are in deep poverty, with family incomes less than half of the official poverty line (roughly $11,000 for a family of four).

### 2010 Poverty Rates in Virginia

<table>
<thead>
<tr>
<th>Poverty Level</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep Poverty (0 - 49% FPL)</td>
<td>399,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>In Poverty (0 - 99% FPL)</td>
<td>839,000</td>
<td>10.8%</td>
</tr>
<tr>
<td>In or Near Poverty (0-149% FPL)</td>
<td>1,335,000</td>
<td>17.2%</td>
</tr>
</tbody>
</table>


In addition, over 6 percent of Virginians are near poor. The near poor, along with those under the poverty line, struggle to live economically secure and healthy lives. Families near poverty are often one crisis away from joining the ranks of the poor. For these reasons and more, the near poor often have more in common with those under the poverty line than with the rest of population above it.

In total, more than 17 percent of Virginians live near or in poverty.

POVERTY RATES BY DEMOGRAPHIC GROUPS

Poverty rates differ significantly across demographic groups (Figure 2). While white Virginians make up 58 percent of the poor population, some minority groups are over represented in the poor population and have correspondingly high poverty rates. Black Virginians have the highest poverty rate, 20.2 percent, compared to 10.8 percent among all Virginians. The Hispanic poverty rate (12.4 percent) is slightly above the state rate, while poverty among non-Hispanic white Virginians (8.1 percent) is below the statewide level. Virginia’s Asian population has the lowest poverty rate (7.3
percent) of the four major racial/ethnic groups, reflecting employment in better-paying occupations and typically higher levels of educational attainment.  

Similar patterns are seen if those near poverty are included. Almost 30 percent of black Virginians are either in or near poverty, compared to 13.2 percent for whites, 11.7 percent for Asians, 25 percent for Hispanics, and 17.2 percent for all Virginians. The higher rates among blacks and Hispanics reflect differences in educational attainment, employment opportunities, and household composition across racial and ethnic groups.

Poverty rates are also higher for children. The poverty rate among children younger than age 18 is 14.2 percent, while the poverty rate among working-age adults is 9.8 percent (Figure 3). When accounting for the near poor, over one in five children lives in or near poverty in Virginia.

Childhood poverty is particularly troubling for its long-term effects on individuals, society, and the economy. Children who grow up in poor households have worse health outcomes, poorer cognitive development, and tend to suffer from greater degrees of social isolation than their non-poor counterparts. These patterns often combine to create lifelong detrimental effects, such as lower educational attainment, lower lifetime earnings, and the risk of replicating these outcomes for offspring. Childhood poverty represents a real threat to the long-term economic health of Virginia and the nation in lost productivity, a reduced tax base, and a greater demand for social safety net programs.

Family structure is an important factor in childhood and family poverty. Of all Virginia families in poverty, 56 percent are single female-headed households. The majority of these households have dependent children younger than 18 years of age.

**REGIONAL DIFFERENCES IN POVERTY**

While Virginia’s poverty rate has been well below the national average for the past three decades, this is not true for many regions and localities within the commonwealth. The poverty rates across Virginia’s localities show stark differences (Figure 4). Poverty rates vary from as low as 3 percent to a high of 30 percent. The Eastern Shore, Southwest, and Southside regions have the highest regional rates of poverty, with many of their localities exceeding 20 percent in poverty. The urban areas of Richmond and Norfolk also have high poverty rates compared to the state average, while many counties in Northern Virginia have some of the lowest poverty rates in the nation.

Regional population size influences the distribution of poor Virginians throughout the state (Table 2). Although Northern Virginia has a very low overall poverty rate, 17 percent of poor Virginians live in Northern Virginia due to its large population size (2.3 million). Conversely, while Southwest Virginia has a much smaller population base (fewer than 570,000), 12 percent of Virginia’s poor are in that region, reflecting its substantially higher poverty rate (Figure 5).
Figure 2

Poverty by Race and Ethnicity

*Racial totals for Whites, Blacks, and Asians are non-Hispanic
Source: Current Population Survey, IPUMS microdata 2009-2010 two year average

Figure 3

Poverty by Age Group

Source: Current Population Survey, IPUMS microdata 2009-2010 two year average
Poverty by Selected Regions

Source: American Community Survey, IPUMS microdata 2010

Regions are defined by surrounding Public-Use Microdata Areas

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates 2010
These regions also have distinct socioeconomic structures with varying job opportunities, costs of living, and large differences in demographic composition, resulting in regional variation in the social and demographic characteristics of poor individuals and households.

- In Northern Virginia, Hispanics are 30 percent of the region’s poor.
- Richmond and Hampton Roads have poor populations with a larger proportion of blacks than other regions.
- The vast majority of the poor in Southwest Virginia are non-Hispanic whites.

There are also substantial differences in the social and economic characteristics of the poor.

- Northern Virginia has the highest percentage of working poor (45%).
- The poor in Southwest Virginia are more likely to have a disability, which may contribute to the large number of people out of the labor force (60%) in this region.
- Since the Richmond and Hampton Roads regions have more single female-headed households than other regions, many of the poor in these regions are from these types of households (37% and 36%, respectively).

In evaluating poverty statistics for these regions, it is important to consider the relative costs of living across the commonwealth. The official FPL does not account for regional differences in the cost of basic necessities, such as housing and transportation. For example, prices for goods and services in the Washington, D.C. metropolitan area are, on average, 15 percent more expensive than the national average; costs in most other areas of the commonwealth fall well below the national average. Earning at or slightly above a poverty wage in Southwest Virginia, for example, may be just enough to get by, but could prove woefully inadequate in higher-cost communities in Northern Virginia.

**Living in Poverty**

One reality for families in poor households is that they spend higher proportions of their income on basic necessities. This is particularly true for housing. According to the 2010 American Community Survey, the median poor household spent over two-thirds of monthly income on housing. The median household above 150% of the FPL, in contrast, spent one-fifth of monthly income on housing.

While poor individuals and households have, by definition, less income than the non-poor, they are also less likely to own assets, such as a house or a car, or have accumulated significant savings. In addition, poor households have limited or no capacity to weather financial crises due to a lack of assets and the necessity of spending large proportions of income on basic necessities.

While the majority of working-age (18 to 64) Virginians in or near poverty are in the labor force, either currently working or looking for work, unemployment and inadequate hours due to cutbacks pose significant barriers to earning more than a poverty wage. Moreover, those individuals who are able to find more than part-time employment are often working in low-wage occupations with few benefits and little room for advancement. Among full-time workers, fewer than 40 percent of the working poor or near poor had employer-sponsored health insurance compared to nearly 80 percent of individuals earning 150% of the FPL or more.
### Table 2: Characteristics of the Poor by Selected Regions

<table>
<thead>
<tr>
<th></th>
<th>Northern Virginia</th>
<th>Richmond Metro</th>
<th>Hampton Roads</th>
<th>Southwest Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percent of Virginia's Poor in Region</strong></td>
<td>17%</td>
<td>12%</td>
<td>20%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Individual Characteristics of the Poor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Race and Ethnicity</strong> Non-Hispanic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>34%</td>
<td>31%</td>
<td>35%</td>
<td>90%</td>
</tr>
<tr>
<td>Black</td>
<td>20%</td>
<td>49%</td>
<td>53%</td>
<td>4%</td>
</tr>
<tr>
<td>Asian</td>
<td>14%</td>
<td>4%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>30%</td>
<td>11%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 18</td>
<td>33%</td>
<td>34%</td>
<td>38%</td>
<td>25%</td>
</tr>
<tr>
<td>65 and Over</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Employment Status (age 18-64)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>45%</td>
<td>34%</td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>18%</td>
<td>16%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Not in Labor Force</td>
<td>38%</td>
<td>50%</td>
<td>45%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Educational Attainment (age 25 +)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than High School</td>
<td>30%</td>
<td>35%</td>
<td>28%</td>
<td>39%</td>
</tr>
<tr>
<td>High-School or GED</td>
<td>21%</td>
<td>28%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Some College</td>
<td>22%</td>
<td>24%</td>
<td>30%</td>
<td>23%</td>
</tr>
<tr>
<td>Bachelor's Degree or Higher</td>
<td>27%</td>
<td>13%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Disabled</strong></td>
<td>10%</td>
<td>19%</td>
<td>17%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Household Characteristics of the Poor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Own Home</strong></td>
<td>27%</td>
<td>22%</td>
<td>31%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Household Type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married-Couple Families</td>
<td>21%</td>
<td>12%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Single Parent Families:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Male Householder</td>
<td>4%</td>
<td>7%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Single Female Householder</td>
<td>30%</td>
<td>37%</td>
<td>36%</td>
<td>20%</td>
</tr>
<tr>
<td>Living Alone:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male Living Alone</td>
<td>13%</td>
<td>10%</td>
<td>11%</td>
<td>19%</td>
</tr>
<tr>
<td>Female Living Alone</td>
<td>20%</td>
<td>22%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Households with Children</strong></td>
<td>48%</td>
<td>48%</td>
<td>44%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: American Community Survey, IPUMS microdata 2010
CONCLUSION

While Virginia has a low poverty rate compared to other states, there are stark differences in poverty rates across demographic groups and across regions in the commonwealth.

- The statewide poverty rate is currently 10.8 percent but ranges across localities from a low of 3 percent to a high of 30 percent.
- The child poverty rate is 14.2 percent, the highest rate for all age groups.
- Black Virginians have the highest poverty rate, 20.2 percent, among all racial and ethnic groups.

Part II of this series on poverty focuses on the role of social safety net programs in alleviating poverty and providing economic security in Virginia, including:

- The myriad of programs that make up the social safety net in Virginia
- The scope and breadth of participation in social safety net programs
- The effects of the social safety net on household incomes

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NOTES

1 The phrase “federal poverty line” (FPL) used here refers to the official poverty thresholds produced by the U.S. Census Bureau. Many public programs define poverty using the simplified poverty guidelines produced by the U.S. Department of Health & Human Services. All statistical references to poverty in this report refer to the poverty thresholds unless otherwise noted.


14 American Community Survey, 2010. Families do not include people living alone.


16 For additional information on demographic and economic variation across Virginia’s regions, see: Tippett, Rebecca M. April 2011. “Virginia’s Regions.” Charlottesville, VA: Weldon Cooper Center for Public Service.