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## Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ASEC</td>
<td>Annual Social and Economic</td>
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<td>ATTIS</td>
<td>Analysis of Transfers, Taxes, and Income Security</td>
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<td>CPS</td>
<td>Current Population Survey</td>
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<td>Elder Index</td>
<td>Elder Economic Security Standard Index</td>
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<td>FCSU</td>
<td>Food, clothing, shelter, and utilities</td>
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<td>FPL</td>
<td>Federal poverty level</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>HRS</td>
<td>Health and Retirement Study</td>
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<td>LTSS</td>
<td>Long-term services and supports</td>
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<td>NLSY</td>
<td>National Longitudinal Survey of Youth</td>
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<td>PSID</td>
<td>Panel Study of Income Dynamics</td>
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<td>SIPP</td>
<td>Survey of Income and Program Participation</td>
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<td>SMP</td>
<td>Supplemental Poverty Measure</td>
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<td>SNAP</td>
<td>Supplemental Nutrition Assistance Program</td>
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<td>SSI</td>
<td>Supplemental Security Income</td>
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<td>UBI</td>
<td>Universal Basic Income</td>
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<td>USDA</td>
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Executive Summary

This report supports AARP Foundation’s efforts to deepen its understanding of poverty in the United States, especially among older adults, and to find ways to maximize the Foundation’s impact on alleviating poverty at older ages. Although the US economy has grown rapidly over the past 20 years, millions of Americans continue to struggle financially, and the federal government’s official count shows that the share of the population living in poverty shrank only slightly between 2000 and 2019. In this report we describe different ways of measuring economic hardship, identify groups that face high poverty risks, discuss factors that drive people into poverty, assess the persistence of poverty over the life course, and describe options for combatting poverty.

Measuring Economic Hardship

Financial security can be measured by establishing whether people have enough resources to meet basic consumption needs. Determining consumption needs and measuring resources is not always straightforward, however. Four common measures of economic hardship have taken somewhat different approaches.

- **The official poverty measure** identifies people with inadequate income to meet basic needs. It is easy to compute and is widely used by the government and the public. However, it fails to account for noncash benefits, tax liabilities and credits, or resource pooling among unmarried partners, and the family budget used to construct the measure is outdated.

- **The Supplemental Poverty Measure (SPM)** also identifies people with inadequate income to meet basic needs, but it is based on a more up-to-date and comprehensive metric than the official measure. It includes noncash benefits and tax credits in income and subtracts tax liabilities and out-of-pocket medical expenses from income. The SPM captures geographic differences in housing costs and assumes unmarried partners pool income. A drawback is that it is difficult to compute.

- **The Elder Economic Security Standard Index (Elder Index)** identifies adults ages 65 and older with inadequate income to meet living needs without support from family or means-tested government benefits. Living costs vary by county and other characteristics of households. Although the Elder Index uses a more comprehensive measure of living costs than the official poverty measure, it applies only to nonworking adults ages 65 and older and assumes
everyone is covered by Medicare. The needs thresholds built into the index are much higher than those in the official poverty measure and the SPM, increasing the number of people classified as financially insecure. The Elder Index also ignores the value of means-tested government benefits and help from family and friends, and it is difficult to compute.

- **The Self-Sufficiency Standard** shows how much people must earn to support their families and live independently, without public assistance or private help. Assumed living costs, which are comprehensive, vary by county and other characteristics of households. Like the Elder Index, its needs thresholds are much higher than those in the official poverty measure and the SPM. Because it focuses on people who are willing and able to work, it is less relevant for older adults who have left the labor force. The Self Sufficiency Standard is not available for the entire country and is difficult to compute.

### Impact of Alternative Metrics on Estimates of Economic Hardship

The choice of a hardship measure can have a significant impact on estimates of the number of people who struggle financially in the United States. For each measure, we estimated the share of the US population ages 65 and older that experienced economic hardship in 2019:

- 9 percent using the official poverty measure,
- 13 percent using the SPM, and
- 35 percent using the Elder Index

It is difficult to estimate a national rate of economic hardship using the Self-Sufficiency Standard because that standard does not cover the entire country and it does not cover adults ages 65 and older. Nonetheless, we expect that about the same share of the population would experience economic hardship under the Self-Sufficiency Standard as under the Elder Index, because the two metrics use similar needs thresholds.

The Elder Index generates a higher estimate of economic hardship than the other measures because it uses much higher needs thresholds and excludes from its measure of resources cash benefits from means-tested government programs and income from coresident family members. The SPM generates a higher estimate of poverty for adults ages 65 and older than the official measure because it subtracts from resources estimated out-of-pocket medical expenses, which tend to be especially high for older adults.
In addition to affecting the estimated size of the population experiencing economic hardship, the measurement choice affects the composition of that population. Relative to the official poverty measure, the SPM generates higher poverty rates for people ages 65 and older, married couples, college graduates, workers, and people living in areas with high housing costs or high tax burdens. The SPM generates lower poverty rates for children, cohabitating partners, people living in households headed by unmarried women, Black people, people who are not working, and people living in low-cost areas with lower tax burdens.

2019 Poverty Rates

Despite the limitations of the official poverty measure, it provides important insights into the number and characteristics of people experiencing economic hardship. It is also widely used and reported by the government and public, and it is straightforward to implement. Using data from the Current Population Survey Annual Social and Economic supplement, we estimate 2019 poverty rates based on the official measure and show how they vary by personal characteristics.

In 2019, the official poverty rate, defined as the share of the population with family income below 100 percent of the federal poverty level (FPL), stood at 8.7 percent for adults ages 50 and older, 8.5 percent for adults ages 50 to 64, and 8.7 percent for adults ages 65 and older. Poverty rates were higher for younger adults ages 18 to 49 (9.9 percent) and for children younger than age 18 (14.4 percent). Throughout the life course, the risk of experiencing poverty is especially high for unmarried adults, people with limited education, people with health problems, Black people, Hispanic or Latino people, Indigenous people, people who rent their home rather than own their home, and people born outside the United States who did not become US citizens. Figure ES-1 reports 2019 poverty rates for certain at-risk groups ages 50 and older.
FIGURE ES-1
Poverty Rates, Adults Ages 50 and Older, 2019

Notes: The analysis classifies people as having a work disability if they report a health problem or disability that prevents them from working or that limits the kind or amount of work they can perform.

The Depth of Poverty in 2019

Slightly more than 4 in 10 people ages 50 and older with incomes below 100 percent of the FPL experience deep poverty, defined as income below 50 percent of the FPL. In 2019, 4.0 percent of adults ages 50 to 64 had incomes below 50 percent of the FPL, 5.1 percent had incomes between 50 percent and 99 percent of the FPL, defined as moderate poverty, and 18.3 percent had incomes between 100 percent and 249 percent of the FPL, defined as near poverty. People experiencing deep poverty make up a slightly smaller share of all people experiencing poverty among those ages 65 and older than those ages 50 to 64 because most people ages 65 and older receive Social Security, which generally provides enough income to prevent deep poverty. However, people ages 65 and older are more likely to experience near poverty than people ages 50 to 64.
Poverty Drivers and Dynamics

We conducted a comprehensive review of the poverty literature to identify the factors that drive people into poverty and assessed the persistence of poverty over the life course. Key conclusions from that review include the following:

- Although only between 10 and 12 percent of the US population is estimated to be poor at any time, far more people will be poor at least once in a decade or over their lifetime. The chances of falling into poverty over 10 years range from 20 to 40 percent, depending on the age range considered.
- Poverty is dynamic; many poverty spells are short.
- The more time that people spend in poverty, the less likely they are to exit.
- Many people who escape poverty return to it relatively quickly.
- Persistent childhood poverty is especially damaging to a child’s future economic prospects.
- Although many people who grow up poor manage to escape poverty, US residents are generally less economically mobile than is commonly understood.
- By almost all measures, poverty is more enduring for Black people than for white people. Detailed estimates for other groups, including people of Asian-Pacific Islander descent, Indigenous people, and Hispanic or Latino people, are limited in most of the major US longitudinal surveys because of small sample sizes.
- Regional and state differences in poverty are significant, with long-lasting poverty more common in the South than in other parts of the country.
- Social Security helps to alleviate poverty at older ages. Nonetheless, poverty and near poverty remain significant problems after age 65, with many older adults slipping into and out of poverty or near poverty, especially when out-of-pocket medical expenses are taken into account. Those who do not qualify for Social Security are among the poorest older adults.

Key drivers of poverty include the following:

- Loss of employment
- Onset of disability
- Marital dissolution
- Limited educational attainment
Much poverty among older adults is a continuation of poverty in earlier life. However, life events also sometimes trigger poverty at older ages, especially widowhood and the onset of a need for long term services and supports (LTSS). Social Security retirement benefits prevent many people from falling into poverty after age 62, but some beneficiaries receive limited payments that provide little financial protection. Women, Black people, Hispanic or Latino people, people born outside the United States, people who did not complete high school, and people who were not married for at least 10 years (and thus do not qualify for Social Security spouse and survivor benefits) are especially likely to receive payments that are insufficient to lift them out of poverty.

Combatting Poverty

Despite decades of economic growth and enormous national wealth, poverty in the United States remains stubbornly persistent. AARP Foundation could combat poverty by advocating for policies designed to promote financial security and by partnering with other organizations engaging in productive poverty alleviation efforts.

Promising Policy Options

Policymakers should consider labor policies (e.g., increases in the minimum wage, enforcement of labor standards, strengthening organizing rights), transfer programs (e.g., Supplemental Security Income and unemployment insurance), tax policies (e.g., earned income tax credit, child tax credit, dependent care credits, saver’s credits), and even criminal justice policies (e.g., fines and fees) to reduce poverty. Practices in private companies across industries, such as fee setting in the financial services industry, noncompete contracts for low-wage workers, and employee classification, also deserve more scrutiny from federal and state lawmakers.

Labor policies designed to increase employment and earnings for low-wage and underemployed workers that could reduce poverty include the following:

- Increase the minimum wage.
- Expand the earned income tax credit.
- Expand childcare subsidies, such as by increasing the child and dependent care tax credit.
- Promote unionization.
- Provide federal job guarantees.
- Develop and federally subsidize work/job sharing during economic downturns to promote employee retention and job attachment.
- Expand apprenticeships.
- Increase funding for training programs targeted to low-skill workers through the Workforce Investment Act Adult program and reform training programming offered by state and local workforce boards. Implement the WorkAdvance program nationwide.
- Improve enforcement of employee classification rules to reduce the number of employees without social insurance protections and to promote fairer competition among employers.
- End noncompete agreements for low-wage workers.
- Reconsider certain occupational licensing requirements.
- Reduce the cost of living in poverty and increase access to financial services.

Several safety-net and tax-expenditure policies could reduce poverty. Options include expanding child tax credits and making them refundable, providing universal child allowances, shoring up unemployment insurance, expanding the Supplemental Nutrition Assistance Program, and making housing subsidies more generous. Policymakers might also consider strengthening and modernizing Supplemental Security Income by restoring asset tests and income exclusions to the inflation-adjusted values that existed when the program began and by removing or simplifying the in-kind support and maintenance rule. Other options are to add a significant minimum benefit to Social Security and to expand and simplify the Saver’s Credit to encourage saving for education, homeownership, and retirement.

Promising Philanthropic Initiatives

Many nonprofits are committed to reducing poverty in the United States. Some organizations restrict their attention to a particular age group, such as children, young adults, or older adults. Some philanthropies address the immediate needs of people by providing economic relief, whereas others emphasize providing people in poverty with the tools they need to achieve self-sufficiency. And some organizations focus on addressing a particular domain of well-being, such as hunger, health status, or secure housing, or a particular strategy to promote economic mobility, such as education, skill enhancements, asset building, and employment. Others, however, recognize that low-income families often need support across several domains to thrive.

There are several promising efforts to combat poverty that some foundations are pursuing, including the following:
A two-generation approach that targets low-income children as well as their parents. This approach typically focuses on providing children with a high-quality education and providing strong support to parents.

Asset building, which grows resources such as savings accounts or home ownership through financial literacy training, counseling, and home ownership support.

Providing a universal basic income, which would provide people with a fixed annual payment, creating a guaranteed income floor.

Upskilling, a largely employer-driven effort to provide on-the-job training that can augment the skills of workers as technological change shifts employer needs.

Providing secure housing, which families and children need to be productive and healthy.

National philanthropic leaders in the fight against poverty include the Bill and Melinda Gates Foundation, Annie E. Casey Foundation, Aspen Institute, and Feeding America. Local leaders include Beyond Housing in St. Louis, Building Change in Seattle, Robin Hood Foundation in New York City, Warren Village in Denver, CommonBond Communities in the Midwest, and the Goodwill Excel Center of Central and Southern Indiana.
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