



\$2-a-Day Poverty in the United States

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Is it possible for people to live on \$2 a day? This is a question most think applies to bygone centuries or impoverished Third World nations. But it turns out to matter for the 21st century United States as well. The U.S. welfare reform enacted in 1996 ended rights to cash assistance for poor families with children. Instead, welfare in America now gives cash assistance for a limited time only. Able-bodied people who apply for welfare must quickly try to find paid employment and participate in activities directly related to preparing for work. In the new system, extra benefits and tax credits go to low-income people with jobs. But what happens to those who cannot find employment – especially during prolonged periods of joblessness like the aftermath of the recent Great Recession?

To find out, we used data from the U.S. Census Bureau from 1996 to 2011 to study U.S. households with children getting by with a daily income of \$2 or less, per person – adapting the poverty indicator used across the globe by the World Bank.

American \$2-a-Day Poverty Rose Sharply after 1996

Extreme \$2-a-day-poverty in the United States did not just spike during the recent economic downturn. It grew throughout the period we studied – from about one in ten of all poor households in 1996 to nearly one of every five in 2011. Remarkably, almost one of every twenty-five American households with children – including about 2.8 million children – lives every day on \$2 per person or less.

- When only cash income is considered, the number of nonelderly U.S. households with children living in \$2-a-day poverty in any given month increased from about 636,000 in 1996 to about 1.46 million households in early 2011, a percentage growth of 130 percent.
- When we look over a three-month period during the year, fewer households experience \$2-a-day poverty compared to those in such extreme poverty for one month: Through the first quarter of 2011, approximately 866,000 households were surviving on an average of \$2 or less in income per person per day.
- Counting Food Stamps as income reduces – but does not eliminate – the upward trend in \$2-a-day poverty. With Food Stamps included, the number of households living in \$2-a-day poverty increased from roughly 475,000 in 1996 to nearly 800,000 in 2011, a growth of 67 percent.

The Kinds of Families Living in Extreme Cash Poverty

Poverty in America is usually portrayed as the plight of African American or Hispanic families headed by single mothers. But many whites and married couples are also struggling to get by on \$2 per person or less each day. In 2011, 37 percent of all households living in \$2-a-day poverty were headed by a married couple, while 51 percent were headed by single mothers. About 48 percent of families in extreme cash poverty were headed by one or two white parents, compared to 25 percent by African Americans and 22 percent by Hispanics.

It is true, however, that the growth in \$2-a-day poverty since the welfare reforms of 1996 has been greatest for the very people who were already very vulnerable to extreme economic distress. The number of single-mother households in such extreme poverty grew from 1996 to 2011 almost three times as much as for married-couple households. And the percentage growth of cash-strapped households headed by African American and Hispanics has been far higher than the increase in such poverty among white households.

Do Benefits Other Than Cash Solve the Problem?

Food Stamps definitely serve as a significant buffer against \$2-a-day poverty for many families. Our analysis of recent trends show that the expansion of Food Stamps as part of the 2009 American Recovery and Reinvestment Act was crucial for millions in extreme poverty.

In addition, cash-poor U.S. households with children have access to other vital public supports. One fifth of families surviving on \$2 or less a day per person get some help to pay for housing; and two-thirds have at least one child covered by public health insurance. Such non-cash forms of assistance prevent millions of families with children from falling completely between the cracks.

But Americans cannot pat ourselves on the back and assume that the U.S. safety net is adequate – not when one in five poor households with children is struggling to get by day to day without meaningful cash income. Politicians who are currently demanding sharp reductions in the help given to the nation's poorest families should stop to think how little many of them have right now. In one of the world's richest nations, even taking account of food assistance, some 1.4 million children are subsisting in any given month on what amounts to less than the cost of a daily cup of coffee for most Americans.

Read more in Luke Shaefer and Kathryn Edin, “Extreme Poverty in the United States, 1996 to 2011,” National Poverty Center, February 2012.