Poverty Myths

The truth about four of the most persistent myths about poverty in America
The United States has one of the highest poverty rates in the developed world, ranking 29 of 31 OECD countries in 2012.[1] When it comes to child poverty, a UNICEF report found that the United States ranked 34 of 35 developed countries – only Romania had a higher child poverty rate.[2]

It can be surprising to find so much poverty in a country often thought of as the wealthiest nation in the world. If the per capita gross domestic product of the United States is over $54,000, then why do one in six Americans live below the poverty level, which is as low as $11,700 for a single person, or $24,250 for a family of four?[3]

The answer is inequality. The United States is the most unequal developed nation in the world.[4] The wealthiest 400 American families have more wealth than the poorest 50% of Americans combined.[5]

It is interesting to note, however, that when comparing income inequality before taxes, the US is similar to most other developed nations, and even ranks less unequal than countries like Sweden or Denmark.[6] While those countries use their tax code to reduce income inequality and fund social programs, we in the United States do comparatively little to address poverty and inequality.
MYTH: Poor People Don't Want to Work

FALSE

Most adults living in poverty who can work do work.

10.7 million American adults between the ages of 18 and 64 who live in households earning below the poverty line work full or part time. Those who do not work cite reasons ranging from being retired (1.3 million) and pursuing continuing education (3.5 million), to being ill or disabled (5.2 million) and taking care of family members (3.8 million). Another 1.9 million adults would like to work, but cannot find jobs they’re qualified for where they live.[1]

59% of adults living in poverty who can work do so.

Yet they still live in poverty.

Caring for children and family members is a big reason why many adults cannot work. The cost of childcare has more than doubled in the last 25 years. Families living in poverty who use childcare spend 30% of their income on it, compared to an average of only 8% of the income of all families. Without more low-cost or free options, many adults will be forced to continue to make a financial choice not to work to avoid care costs that are often higher than their potential wages.[2]

Between 2000 and 2012, many people living in poverty moved to the suburbs. Because of this, there were 17% fewer jobs within a typical commuting distance for them.[3] Access to jobs and reliable transportation remain significant obstacles as well, preventing some low-income individuals from working.

The overall picture clearly shows most adults living in poverty are working. Support programs to overcome difficulties in childcare, transportation, and job creation in low-income communities would certainly increase the ability of low-income individuals and households to attain and keep jobs.
M Y T H :  
Drug Use is Higher in Poor Communities 

F A L S E

People in poverty do not use drugs at a higher rate than the rest of society, but they do bear a much greater burden of punishment, imprisonment, and suspicion for drug-related offenses.

According to a study conducted by the National Institutes of Health,[1] “Those with the highest incomes were most likely to have engaged in extra-medical use of all drug types but for cocaine.” Cocaine was an exception simply because the number of respondents in the survey who had used cocaine was too small – not because people in lower income levels were more likely to use. In fact, numerous other surveys suggest that cocaine use is highest among higher income groups[2].

The same holds true for alcohol. One 2010 study found that 81% of respondents who earn over $75,000 a year drink alcohol, versus 66% of those earning $30,000 to $49,000, and just 46% of those earning under $20,000[3].

The false image of higher drug use among people in poverty is no doubt connected to disparities in policing. A study conducted by New York University that looked at disparities in arrest rates for crack and cocaine, found that crack users, who are more likely to come from lower income communities, were 18 times more likely to face arrest for drug possession than cocaine users, who are more likely to come from higher income communities. This for the same quantity of two drugs that are exactly the same chemical product. [4]
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FALSE

The authors concluded that, “Crack users are much more likely to experience arrest than powder cocaine users, and being poor is the true overwhelming correlate... The sentencing laws appear to unfairly target the poor, with blacks ultimately experiencing high incarceration rates as a result.”

In Florida, $172 million were spent drug testing welfare recipients. Only 2% tested positive, saving the state just $98,000.

Drug-related incarceration itself contributes to poverty. Those who have been incarcerated have a harder time finding jobs on release because of employment discrimination and a lack of work experience because of time spent in jail. The effects of incarceration on socioeconomic status have been found to stretch over generations.

In Arizona, 108,000 welfare recipients were drug tested. Only 2 tested positive.

Twelve states have even started to require drug testing for welfare recipients based on the misconception that people in poverty use drugs more than the rest of the population. These programs represent a tremendous waste of government money – one program in Florida cost the state $172 million, with only 2% of those tested failing. This saved the government no more than $98,000. In Tennessee, after 6 months and 16,000 drug tests, just 37 people had tested positive; in Arizona, after 108,000 drug tests, only 2 applicants were disqualified because of positive drug tests.
MYTH: I Will Never Be Poor

NOT SO SURE

The number of Americans who will experience poverty at some point in their lives is much higher than those living in poverty at any one time.

Almost one third of the US population experienced poverty for two or more consecutive months between 2009 and 2011. This is twice the national poverty rate. Of those who experienced temporary poverty, one third had escaped poverty by 2011. Approximately half continued to have income less than 150 percent of the poverty threshold.[1]

40% of Americans will live below the poverty line for at least 1 year. Another 10% will live at the poverty line for the same amount of time.

Poverty is not a fixed condition; people move into and out of poverty all the time depending on their life situations. Research reveals that nearly 40% of Americans between the ages of 25 and 60 will be below the official poverty line for at least one year, and another 10% will be near the poverty line for a year.[2] A literature review on poverty dynamics done by the Urban Institute also indicates that over half of the US population will experience poverty at some time before the age of 65.[3]

Alarmingly, these numbers are growing. The numbers of people experiencing temporary poverty and the length of time of these “poverty spells” have grown since the period of 2005 to 2007, from 27.1 percent to 31.6 percent and 5.7 months to 6.6 months, respectively.

Poverty is more prevalent than the public generally perceives. For the majority of Americans, poverty is personal.
MYTH: You Can Live Well on Benefits

NO WAY

Living on benefits is not easy – even surviving is a challenge. Benefits definitely do not support upward mobility.

According to the Center on Budget and Policy Priorities[1], Temporary Assistance for Needy Families (TANF) benefits in 2017 in every single state were not enough to meet 60% of the federal poverty line. The monthly TANF benefit is less than the rental cost of a modest 2-bedroom apartment in all states, according to the same report. Moreover, in terms of purchasing power benefits are less than they were in 1996.

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In the most generous state, Alaska, TANF provides just $923 a month for a single parent family of three. In the least generous, Alabama, it is just $170 a month. Who could live well with so little? TANF does not provide enough to cover basic necessities.
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What little money families receiving assistance do get is spent on daily necessities. A study conducted by the Bureau of Labor Statistics[2] found that of their total budget, families receiving assistance spent 77% on food, transportation, and housing, compared with families not receiving assistance who spent 65.5% of their budget on these expenses. Over 30% of one-parent families receiving assistance did not own a car, compared with just 3% of families not receiving assistance.

It's a (poverty) trap!

Let’s look at that number from above again – 30% of families receiving TANF do not own a car. Partially this is because in order to qualify to receive benefits you have to prove that you have very few assets – no more than $1,000 in Washington state [3] – which includes checking and savings accounts and any stocks or mutual funds. This means that even owning a cheap used car can disqualify you from government assistance. Not to mention the challenge of saving up for a deposit on a new apartment. And that Roth IRA you opened back when you still had a job? If it's worth over $1,000 you’ll have to empty it.

It’s not just TANF, it’s the heart of how benefits work in the US. A participant in one of the Multidimensional Aspects of Poverty research groups said as much talking about healthcare: As an elderly disabled person, she worked as much as she could, but not full time. The little income she earned, however, meant she didn’t qualify for government supported healthcare in her state, and so she had to purchase it on the marketplace. The plan she could afford was basic, and the result was that after paying for healthcare costs out of pocket, she was back below the poverty line, taking home less than if she had no job and had qualified for free health insurance.

Benefits capture families in a trap – a trap that provides just enough support to keep them afloat, but not enough support to help them escape poverty.
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HOW CAN PEOPLE ESCAPE?

It seems counter-intuitive – but the way to help people out of poverty isn’t to cut back on benefits and make their lives even harder, it’s to make benefits more generous.

A study in the European Union looked at 19,000 people receiving benefits and found a direct link between how generous the benefits are and how much people look for work [4]. In the authors’ words, “The notion that big welfare states are associated with widespread cultures of dependency, or other adverse consequences of poor short term incentives to work, receives little support.”

When people spend all their day just trying to make ends meet they don’t have the energy left over for an intense job search. Moreover, often the jobs they find won’t pay enough alone to improve their financial security. Yet still, when they feel that the state is taking care of them they feel a sense of obligation to give back by working and paying taxes themselves. The net result is that counter to what much of the public debate in the US would have us believe – reducing benefit amounts as people find work actually makes their lives even more difficult and is no way to help them escape poverty.
**SOURCES**


