2023 Poverty Rates in Historical Perspective

Christopher Wimer, Ryan Vinh, Jiwan Lee, and Sophie Collyer

Center on Poverty and Social Policy at Columbia University

The new 2023 poverty numbers released by the U.S. Census Bureau in September 2024 are important on their own, but they are even more important relative to historical trends. And understanding historical trends in poverty means reckoning with decisions about how to best measure poverty over time. This research brief considers the 2023 poverty numbers from a long-term historical perspective. It also describes how the interpretation of long-term trends depends on the underlying measure being used. To that end, this brief compares trends in poverty over the last nearly sixty years across four alternative poverty measures: (1) the historical Supplemental Poverty Measure (SPM), (2) the anchored 2012 SPM, (3) a new anchored 2022 SPM, and (4) a fully relative poverty measure. Together, these measures provide a more comprehensive understanding of longer-term trends in poverty rates and reductions in the poverty rate attributable to resources from government policies and programs over time.

A Note on Changes in the Poverty Rate from 2022 and 2023

The purpose of this brief is to situate the 2023 poverty rates in historical context, but it is also important to understand the increase in the SPM poverty rate from 2022 to 2023 as reported by the Census Bureau. The SPM rate for the total population increased from 12.4% in 2022 to 12.9% in 2023, despite increases in household incomes.[1] The primary reason the SPM poverty rate increased was due to higher-than-average increases in the SPM thresholds, or what is more colloquially known as the poverty line. The thresholds rose more rapidly than in the past, but also more rapidly than overall inflation. The reason for this "surge" in the SPM thresholds is primarily because, in addition to changing with increases in expenditures, the SPM thresholds incorporate increases due to inflation on prices that are specific to the threshold – namely inflation on food, clothing, shelter, and utilities.[2] These prices rose faster in recent years than overall inflation or inflation on a larger basket of goods that low-income households spend their money on.[3] The increases in SPM poverty were almost entirely driven by this choice of inflation measure. With a more general inflation adjustment, the SPM poverty rate in 2023 would not have increased, and for some population groups may even have declined.[4] These measurement choices can also have larger implications for understanding longer-term trends in poverty.

[1] Guzman and Kollar, 2024, Income in the United States: 2023.
[2] Schild, 2023, Decoding the surge in the 2022 SPM threshold.
[3] Sherman and Lukens, 2024, What to watch for in next week's Census data on income, poverty, and health insurance; Klick and Stockburger, 2024, Examining U.S. inflation across households grouped by equivalized income.
[4] Creamer, 2024, How updating annual poverty thresholds impacts poverty rates.

KEY FINDINGS

- A historical Supplemental Poverty Measure (SPM), which compares incomes against a poverty line that changes over time with changes in expenditures, shows substantial reductions in the poverty rate over the past five and a half decades.
    - Using a historical SPM, the poverty rate *fell* from 18.5% in 1967 to 12.9% in 2023, a 30% decline.
- Anchored SPM measures, which hold standards of living constant and allow the poverty line to change only with changes in prices, show an even larger decrease in poverty from 1967 to 2023. This is because anchored SPM measures ask a different question about changes in the poverty rate than a measure (such as a historical SPM) that allows the poverty line to vary over time with changes in living standards.
    - Using an anchored 2012 SPM, poverty rates *fell* by more than half (58%) between 1967 to 2023 (falling from 26.0% in 1967 to 10.5% in 2023).
    - Using an anchored 2022 SPM, poverty rates also *fell* by more than half (57%) between 1967 to 2023 (falling from 27.9% in 1967 to 12.0% in 2023).
    - These two trends differ because the two series ask somewhat different questions. The 2012 anchored SPM asks what poverty rates were in the past (and the present) when judged against 2012 living standards. The 2022 anchored SPM asks what poverty rates were in the past (and the present) when judged against living standards measured a decade later, in 2022.
- Fully relative poverty measures are more commonly used in international contexts than variants of the SPM. A fully relative poverty measure, which compares resources to a percent of median household resources (here: if a family is below 50% of median income), tells a different story of changing poverty over time than our SPM measures.
    - Under the fully relative measure, poverty rates *rose* from 1967 to 2022 (rising from 15.1% to 17.8%, an increase of 18%). Government taxes and transfers helped buffer against this increase, but this measure points to a widening income gap, with more people falling further from the median income and therefore further behind relative to the typical American household.
- No matter the choice of poverty measure, all four measures reveal the increasing importance of government taxes and transfers in reducing poverty rates over time. Taxes and transfers cut the poverty rate by nearly half or more than half in 2023 across the historical and anchored SPM measures and by nearly one-third under the relative measure. This is in sharp contrast to the smaller role played by government transfers in 1967.

Measuring Poverty: Four Approaches

On September 10, 2024, the Census Bureau released estimates of the SPM poverty rate for 2023, putting it at 12.9% for the total U.S. population. The SPM is widely considered a more robust measure of income poverty than the long-standing official poverty measure, which most poverty experts consider to be outdated and badly flawed.[5] For example, the official measure does not account for many taxes and transfers that have become increasingly common in recent decades, such as refundable tax credits like the Earned Income Tax Credit and Child Tax Credit or in-kind transfers like SNAP benefits. For this reason, we do not show long-term trends using the official measure, though these are available in the latest Census report on poverty.[6]

The SPM's measure of resources includes post-tax cash income as well as the value of many in-kind or near-cash benefits (e.g., SNAP, housing subsidies), and also subtracts from resources some necessary expenses (e.g., work and medical expenses). These resources are compared to a set of poverty thresholds that have been described as "quasi-relative," which means they change over time based not just on inflation, but as societal patterns of expenditures shift.[7] In the case of the SPM, these are not all expenditures, but rather expenditures on a core basket of necessities, which includes food, clothing, shelter, and utilities (and in recent years, internet expenditures) plus a multiplier to account for other necessities.[8] Colloquially, we might think of this shifting basket of necessities as reflecting changes in living standards – that is, as living standards improve (ideally) over time, the standard for what it means to be poor may also change or evolve.

Historical SPM

Our first set of results show poverty rates for the total U.S. population based on the SPM methodology, which we call the "historical SPM," from 1967 to 2023. From 2009 onwards, the historical SPM is based on data used by the Census Bureau and Bureau of Labor Statistics in producing their annual poverty estimates from the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC). For years prior to 2009, this analysis uses the historical Supplemental Poverty Measure (SPM) data series created by researchers here at Columbia University.[9]

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[5] NASEM, 2023, *An updated poverty measure*; National Research Council, 1995, *Measuring poverty: A new approach.*

[6] Shrider, 2024, Poverty in the United States.

[7] Johnson and Smeeding, 2012, A consumer's guide to interpreting various U.S. poverty measures.

[8] Specifically, SPM thresholds are taken currently at the 83rd percent of the average of expenditures on this basket of goods between the 47th-53rd percentiles in the basket's national distribution. The multiplier is set at 20 percent of the basket's threshold value. For more information, see: https://www.bls.gov/pir/spmhome.htm

[9] The historical SPM construction attempts to mimic Census and BLS SPM measurement decisions with as much fidelity as possible going back in time and given available data constraints. Full descriptions of the methods used to create the series can be found in Fox et al., 2015, Waging war on poverty, and Nolan et al., 2016, A new method for measuring historical poverty trends; See the historical SPM data series (Wimer et al., 2024, Historical Supplemental Poverty Measure Data 1967-2023.)

Anchored 2012 and 2022 SPMs

In contrast to a quasi-relative measure like the SPM, some scholars, policymakers, and other consumers of research prefer an *absolute* measure of poverty, or one where the poverty threshold is fixed and changes over time only with changes in prices (through inflation). When set in a specific year, we refer to such measures as "anchored" in that year, by which we mean anchored in that year's "living standards." In our original research with the historical SPM data that our team created, we showed both the quasi-relative measure (or the historical SPM) and also an anchored SPM, anchored to the year 2012, which was the latest year of data available at the time. By anchoring the poverty thresholds in 2012, and carrying these back in time adjusted only for inflation, this series implicitly asked "what would poverty rates have been in the past when considered against 2012's living standards?"

Our second set of results extend the anchored 2012 SPM series from 1967 to 2023. Any given anchor year will inevitably become antiquated, however, as living standards continue to evolve. There is no agreed upon timeframe among those who prefer an absolute measure as to when such updates should be made. Thus, in this brief, our third set of results show poverty rate trends with a new anchored threshold based on 2022 "living standards," a full decade after our original series. This exercise allows us to assess how the choice of anchoring year affects the pattern of historical trends.[10]

Relative Poverty Measure

Some critics of the SPM, either historical or anchored, argue that its choice of poverty thresholds are simply too low. Some prefer a "fully relative" measure of poverty, which is more common in international contexts. Fully relative measures typically measure poverty relative to a fixed point in the income distribution, usually 50 or 60 percent of the median. Critics of fully relative measures argue that these measures are closer to indicators of inequality rather than poverty, but proponents argue that fully relative measures are useful when thinking of poverty as a measure of people's ability to "fully participate in society".[11] Our fourth set of results show poverty rate trends using a fully relative poverty threshold, defined in this case as resources that fall below 50 percent of median household resources,[12] with resources measured using the SPM methodology.

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[10] For adjusting threshold values for inflation, we use the Consumer Price Index retroactive series using current methods (R-CPI-U-RS). Due to gaps in coverage over the period from 1967 to 2023, we use the R-CPI-U-RS produced by the Census Bureau for inflation adjustments from 1967 to 1977 (also known as the CPI-U-X1) and the R-CPI-U-RS produced by the Bureau of Labor Statistics from 1978 to the present.

[11] Brady, 2003, Rethinking the sociological measurement of poverty; Atkinson, 1998, *Poverty in Europe*. See Parolin and Filauro, 2023, The United States' Record-Low Child Poverty Rate in International and Historical Perspective for a recent empirical example.

[12] Note the use of households here is a departure from the resource sharing unit under the SPM series', which is essentially a broader definition of a family unit, but where cohabiting couples are treated equivalently to married couples, alongside other smaller changes. For more detail and discussion on resource sharing units, see NASEM, 2023, *An updated poverty measure*. Note also that median household resources under a relative measure are first equivalized to account for differences in the number of adults and children in the household.

To summarize, we present long-term historical trends in the total U.S. population poverty rate across these four measures, which we refer to as:

(1) the historical SPM;

(2) the anchored 2012 SPM;

(3) the anchored 2022 SPM; and

(4) the relative poverty measure.

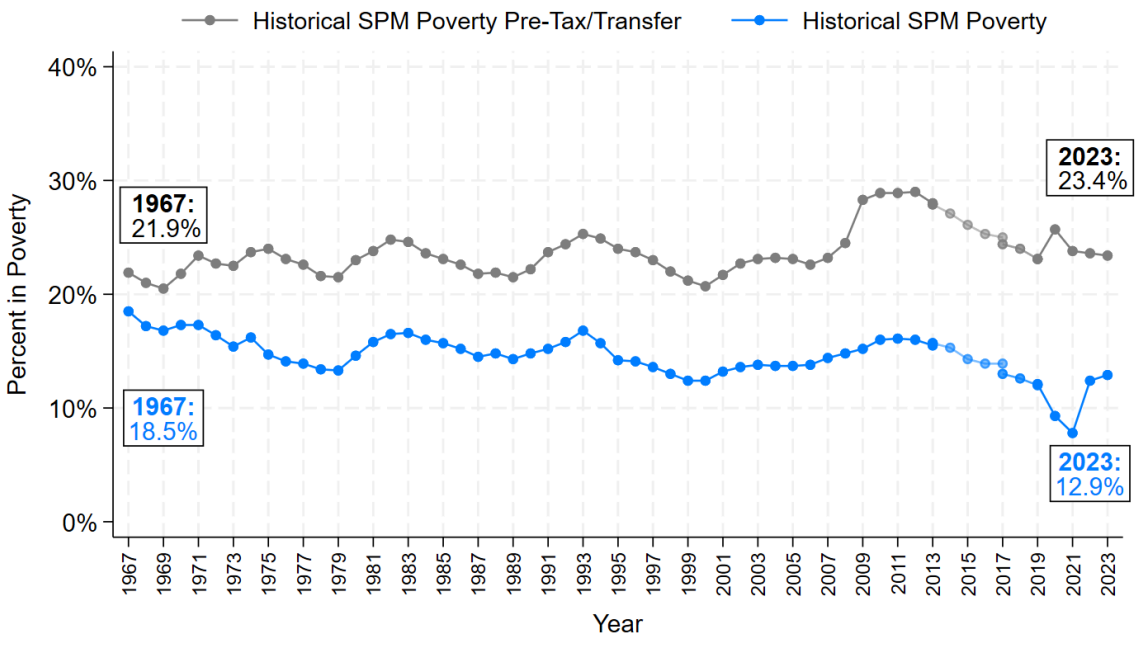
For each of these measures, we report poverty rates in two scenarios: *before* and *after* accounting for resources from government taxes and transfers. In the latter scenario, the specific taxes and transfers accounted for include: housing subsidies, Supplemental Nutrition Assistance Program (SNAP), National School Lunch Program, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Low Income Home Energy Assistance Program (LIHEAP), cash welfare assistance, Social Security, Supplemental Security Income (SSI), unemployment insurance, workers' compensation, veterans' payments, and income and payroll taxes (including tax credits such as the Earned Income Tax Credit and Child Tax Credit).

Historical SPM Poverty Trends: 1967 to 2023

Figure 1 depicts poverty rates for the total U.S. population from 1967 to 2023 using the historical SPM, before and after accounting for taxes and transfers. **Under the historical SPM measure, the poverty rate fell by approximately one-third (30%) over time, declining from 18.5% in 1967 to 12.9% in 2023.**

Notably, the poverty rates in 2020 and 2021 represent historic lows due to temporary and large increases in income support during the peak years of the COVID-19 pandemic. Poverty rates have since returned to, and even somewhat exceeded, pre-pandemic levels with the expiration of these temporary supports in 2022 and 2023. The all-time low poverty rate in 2021 nonetheless demonstrates the increased importance of accounting for government policies in estimating trends in the poverty rate. Without taxes and transfers, the historical SPM poverty rate in 2023 would be higher than in 1967 (23.4% in 2023, up from 21.9% in 1967). As a result, the decline in the historical SPM poverty rate over this period is largely attributable to counting the resources from taxes and transfers. While taxes and transfers cut the poverty rate by approximately 45% in 2023, they only cut the poverty rate by approximately 16% in 1967.

Figure 1. Historical SPM Poverty Rates for the Total U.S. Population (1967-2023)



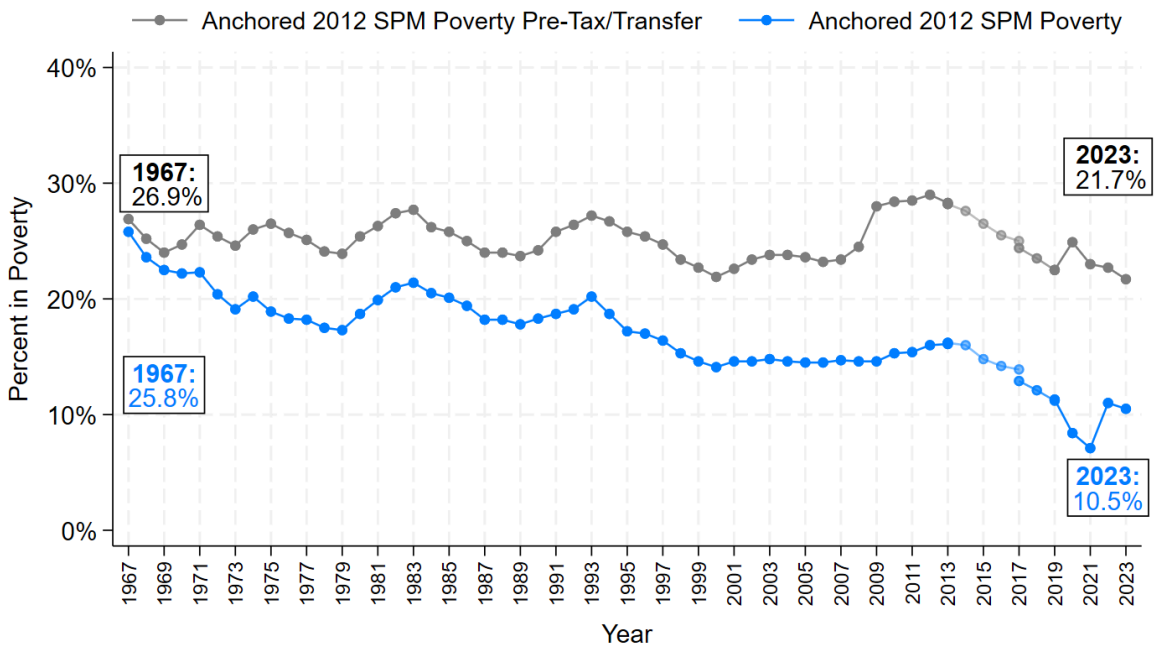
Source: Center on Poverty and Social Policy analysis of the Current Population Survey's Annual Social and Economic Supplements from 1968 to 2023 and historical Supplemental Poverty Measure series (Wimer et al., 2024). Estimates exclude observations housed in group quarters. The series breaks reflect changes related to various updates to the SPM methodology: redesigned income questions in 2013, updates to the processing system in 2017, and threshold changes in 2019. For additional details, see the historical footnotes of Table B-2 in Shrider (2024). For survey years 2019 to 2021, we use the entropy balance weights generated by Rothbaum and Bee (2021) to account for pandemic nonresponse.

Anchored 2012 SPM Poverty Trends: 1967 to 2023

Figure 2 depicts poverty rates for the total U.S. population from 1967 to 2023 using the anchored 2012 SPM. As described above, the anchored 2012 SPM holds the standard of need constant (under 2012 living standards) and simply adjusts the thresholds back (and forward) in time for inflation. The series asks how many people would be in poverty in a given year as measured by the living standards in 2012. **Under the anchored 2012 SPM measure, we observe an even larger decline in the poverty rate than under the historical SPM, with the poverty rate decreasing by over half (a 58% decline) over time, falling from 25.8% in 1967 to 10.5% in 2023.**

Additionally, we see that without government taxes and transfers, the poverty rate decreased modestly over the period, from 26.9% in 1967 to 21.7% in 2023 (a 19 percent decline). Similar to the historical SPM, we once again observe the increasing importance of taxes and transfers in reducing poverty rates over time, with these supports cutting poverty by over 50% in 2023, compared to just approximately 4% in 1967.

Figure 2. Anchored 2012 SPM Poverty Rates for the Total U.S. Population (1967-2023)



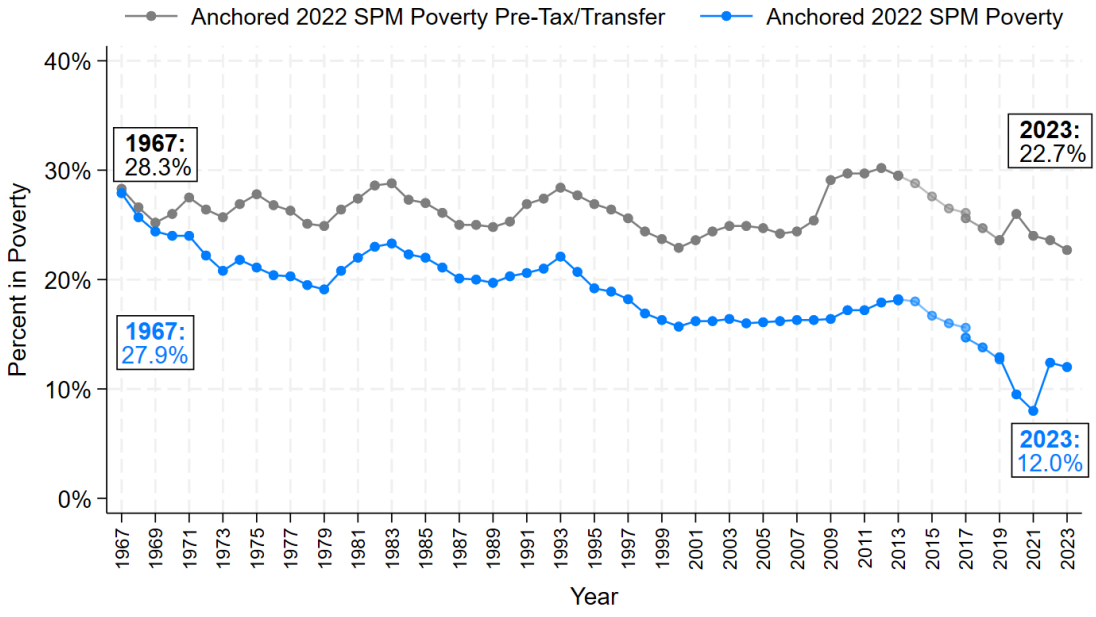
Source: Center on Poverty and Social Policy analysis of the Current Population Survey's Annual Social and Economic Supplements from 1968 to 2023 and historical Supplemental Poverty Measure series (Wimer et al., 2024). Estimates exclude observations housed in group quarters. The series breaks reflect changes from various updates to the SPM methodology: redesigned income questions in 2013, updates to the processing system in 2017, and threshold changes in 2019. For additional details, see the historical footnotes of Table B-2 in Shrider (2024). For survey years 2019 to 2021, we use the entropy balance weights from Rothbaum and Bee (2021) to account for pandemic nonresponse.

Anchored 2022 SPM Poverty Trends: 1967 to 2023

Figure 3 depicts similar trends in poverty rates for the total U.S. population from 1967 to 2023 to Figure 2, but under the anchored 2022 SPM. This measure relies on living standards in 2022, a full decade after the anchored 2012 SPM. The key difference between Figure 3 and Figure 2 is that with an anchored 2022 threshold, the starting poverty rate in 1967 becomes higher than when using the anchored 2012 thresholds, and this is because 2022 living standards are somewhat higher than those just a decade ago. In that sense, the updated anchored measure asks what poverty rates would have been in the past relative to more contemporary living standards (here: 2022). **Under the anchored 2022 SPM measure, the poverty rate also decreased by more than half (a 57% decline) over time, falling from 27.9% in 1967 to 12.0% in 2023.** Note also that the poverty rate actually declines from 2022 to 2023 using this measure, reinforcing the earlier point that the rise in the SPM poverty rate in 2023 stemmed from changes to the SPM thresholds (see text box, page 1).

As we might expect, we observe similar trends to the anchored 2012 SPM: (1) without taxes and transfers, the poverty rate decreases from 28.3% in 1967 to 22.7% in 2023, equal to a 20% decline; and (2) we continue to see the growing importance of taxes and transfers in reducing the poverty rate in recent years, with these policies reducing the poverty rate by nearly half in 2023, compared to taxes and transfers reducing the poverty rate by just 1 to 2% in 1967.

Figure 3. Anchored 2022 SPM Poverty Rates for the Total U.S. Population (1967-2023)



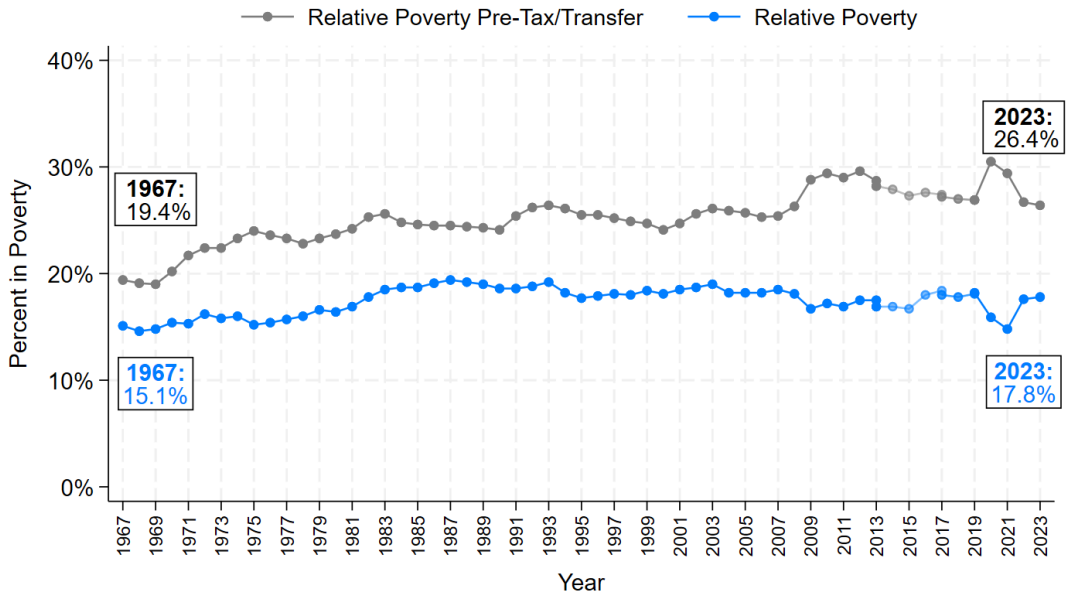
Source: Center on Poverty and Social Policy analysis of the Current Population Survey's Annual Social and Economic Supplements from 1968 to 2023 and historical Supplemental Poverty Measure series (Wimer et al., 2024). Estimates exclude observations housed in group quarters. The series breaks reflect changes from various updates to the SPM methodology: redesigned income questions in 2013, updates to the processing system in 2017, and threshold changes in 2019. For additional details, see the historical footnotes of Table B-2 in Shrider (2024). For survey years 2019 to 2021, we use the entropy balance weights from Rothbaum and Bee (2021) to account for pandemic nonresponse.

Relative Poverty Measure (Below 50% Median Income) Poverty Trends: 1967 to 2023

Figure 4 depicts poverty rates for the total U.S. population from 1967 to 2023 under a fully relative poverty measure. Recall that unlike the other three measures, the fully relative poverty measure defines poverty as the proportion of people in households whose resources fall below 50% of median household resources. **Whereas the poverty rate decreased from 1967 to 2023 under all of the above variants of the SPM measures (e.g., historical and anchored SPM measures), poverty rates increased by 18% over time under a relative poverty measure, rising from 15.1% in 1967 to 17.8% in 2023.**

The relative poverty measure trend suggests that an increasing share of people in the United States find themselves with incomes that are not keeping up with the typical household, despite a decline in the share of people whose incomes are less than what is thought to be necessary to afford a basic bundle of necessities (Figures 1 to 3). Despite the different characterization of the long-term trend with a relative poverty measure, we still see the growing importance of government taxes and transfers in buffering against what would have been an even greater rise in relative poverty rates in their absence. Without taxes and transfers, the relative poverty rate would have risen by approximately 36% across the period (from 19.4% to 26.4%). Taxes and transfers cut the poverty rate by nearly one-third in 2023 under the relative measure, as compared to 22% in 1967.

Figure 4. Relative Poverty Rates (below 50% median income) for the Total U.S. Population (1967-2023)



Source: Center on Poverty and Social Policy analysis of the Current Population Survey's Annual Social and Economic Supplements from 1968 to 2023 and historical Supplemental Poverty Measure series (Wimer et al., 2024). Estimates exclude observations housed in group quarters. The series breaks reflect changes from various updates to the SPM methodology: redesigned income questions in 2013, updates to the processing system in 2017, and threshold changes in 2019. For additional details, see the historical footnotes of Table B-2 in Shrider (2024). For survey years 2019 to 2021, we use the entropy balance weights from Rothbaum and Bee (2021) to account for pandemic nonresponse.

CONCLUSION

The 2023 poverty numbers must be understood not just on their own, but also in long-term historical context. And when looking at the long-term historical context, the choice of how to measure poverty matters. Regardless of using the historical SPM or its absolute – or "anchored" – variants, we find that the poverty rate in the United States has fallen markedly over the past five and a half decades. Anchored measures show more progress against poverty over time than the "quasi-relative" historical SPM. This is because anchored measures hold changes in living standards fixed, while the historical SPM allows the poverty line to evolve over time as living standards change. No matter the SPM measure, we find that this progress against poverty is almost entirely driven by accounting for resources coming from government policies in the form of taxes and transfer programs. A fully relative poverty measure would tell a different story, of gradually rising poverty rates in the United States over time, as more people's incomes fall further below the incomes of the typical U.S. household. Taxes and transfers, however, have substantially buffered against what would have been an even greater rise in relative poverty rates over time. Taken together, these results show a great deal of long-term progress in the fight against poverty, with the important caveat that more low-income households may find themselves falling behind the typical U.S. household.

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