What do we know so far about poverty rates in the United States in 2020?

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The Census Bureau announced that from 2018 to 2019, SPM poverty fell from 12.8% to 11.7%. Poverty rates in 2020, however, may look much different than the rates reported for 2019. The unemployment rate increased from around 3.5 percent at the end of 2019 to as high as 19 percent in April after the onset of the Covid-19 pandemic. In August 2020, the official unemployment rate was reported as 8.4 percent, lower than in April but still comparable to that of the Great Recession in 2011. This fact sheet highlights three findings related to poverty rates in 2020.

1. The rise in unemployment threatens to send poverty rates to levels higher than those observed in the Great Recession.

Given the elevated level of unemployment, nearly 20 percent in April, poverty rates (estimated using the Supplemental Poverty Measure, or SPM, framework) could rise to historic highs. We detailed in our April report that pre-tax, pre-transfer poverty rates, in particular, are expected to spike. Even at 10 percent unemployment, we project pre-tax, pre-transfer poverty rates will rival those observed during the Great Recession. At higher rates of unemployment, pre-tax, pre-transfer poverty rates may climb to historic highs.

2. The CARES Act may have temporarily blunted further increases in poverty, but expiration of the Pandemic Unemployment Compensation may reverse that progress.

The CARES Act distributed a projected $500 billion in income transfers to the U.S. population to mitigate increases in poverty and hardship. As we detailed in our June report, stimulus checks (Economic Income Payments) provided direct income support for millions of families, while expanded unemployment benefits, known as Pandemic Unemployment Compensation (PUC), provided temporary assistance of $600 per week to qualifying individuals. The historic increase in income support temporarily blunted the rise in poverty. But the PUC expired at the start of August and Congress has yet to extend it. In its absence, millions more families will likely fall into poverty.

3. Material hardship remains at high levels.

Poverty rates focus on whether a family's income remains above a minimal poverty line. However, the U.S. Census Household Pulse Survey suggests that many types of hardship, such as food insufficiency, missed/delayed rental payments, and missed/delayed medical appointments are all at high levels, especially for families with children. The CARES Act may have temporarily blunted increases in poverty, but many families still struggle to afford basic necessities.

Declines in poverty in 2019 are almost certainly a thing of the past. In the short term, the historic levels of income support provided under the CARES Act have held poverty at bay. But in the absence of further income support from federal or state governments, or a swift economic recovery, poverty and hardship will likely rise throughout the rest of 2020.

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