

January 31, 1992

## HOW THE POOR REALLY LIVE: LESSONS FOR WELFARE REFORM

### INTRODUCTION

Each year for the past decade the United States Census Bureau has reported that at least 30 million Americans live in poverty. For ordinary Americans, the word "poverty" suggests destitution, and the idea of widespread and unremitting poverty in a land of prosperity is of course deeply distressing. The vision is one of over 10 percent of the entire population being hungry and malnourished, living in over-crowded, poorly heated, filthy apartments.

Yet, this simply is not the case.

Sophisticated surveys of the actual living conditions of America's poor by the Census Bureau, the U.S. Department of Agriculture, and other government agencies, paint a very different picture. These surveys show that the overwhelming majority of persons officially identified as "poor," are in fact well fed and well housed.

That has major implications for the design of American welfare policy. A distorted picture of the conditions of low-income families has led to misdirected policies that, in too many instances, give the wrong help to the wrong people while ignoring the real needs of many lower income Americans.

**Crucial Data Ignored.** The reason that an inaccurate picture of poverty continues to drive federal policy is that policy makers, curiously, are not looking at the federal government's own data. As an earlier Heritage Foundation study indicated, for instance, because lawmakers and federal officials ignore crucial data on nutrition from the U.S. Department of Agriculture and the U.S. Centers for Disease Control, many believe there is widespread hunger in America. In fact, there is almost no poverty-induced malnutrition in America, and the poor have virtually the same level of nutrient consumption as the middle class.<sup>1</sup>

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<sup>1</sup> Robert Rector, "Food Fight," *Policy Review*, No. 58, Fall 1991, pp. 38-43; Robert Rector, "Hunger and Malnutrition Among America's Children," Heritage Foundation *Background* No. 843, August 2, 1991.

A distorted picture of the housing conditions of Americans classified as poor by the Census Bureau is also prevalent among policy makers. Again, readily available data refute many of the impressions driving policy. For example, among the little-known facts about poor housing from the 1989 "American Housing Survey," a joint project of the U.S. Bureau of the Census and the Department of Housing and Urban Development, are:<sup>2</sup>

- ◆ Nearly 40 percent of all "poor" households actually own their own homes.<sup>3</sup> The median value of the homes of these households is 58 percent of the median value of all homes owned in America. Over one million poor households owned homes worth over \$80,000.
- ◆ The average home owned by persons classified as poor in the U.S. is a three-bedroom house with a garage and porch or patio. Contrary to popular impression, the majority of these households who own their own homes are not elderly.
- ◆ According to the Census Bureau, only 8 percent of poor households are overcrowded. Nearly two-thirds have more than two rooms per person.
- ◆ The average American defined as poor has twice as much living space as the average Japanese and four times as much living space as the average Russian. Note: These comparisons are to the average citizens in these countries, not to those classified as poor.
- ◆ The homes and apartments of the poor typically are in good condition. The Census Bureau reports that only 5 percent of all housing of the poor have even "moderate upkeep" problems.<sup>4</sup>
- ◆ Some 53 percent of poor households, owners as well as renters, have air conditioning. By contrast, just twenty years ago only 36 percent of the entire U.S. population enjoyed air conditioning.
- ◆ Contrary to popular impression, housing costs for many poor households are quite low; half of all poor households either live in taxpayer-subsidized public housing or own their own homes with mortgages fully paid.<sup>5</sup>

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2 U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89, (Washington, D.C.: U.S. Government Printing Office, July 1991) Unless otherwise noted, all data in this paper are from the 1989 American Housing Survey.

3 Henceforth, the word "poor" will refer to those individuals or households classified as such by the Census Bureau.

4 See definition in text, p. 8.

5 For purposes of simplicity, the term "public housing" will be used in this paper to refer to all federal, state, and local subsidized rental housing. This includes HUD public housing, HUD Section 8 housing, other HUD rental subsidy programs, as well as other state and local public housing.

Overall, the actual housing and living standards of the “poor” are far higher than the public would imagine.

Much public misunderstanding about poverty occurs because the Census Bureau’s annual poverty report greatly overstates the extent of poverty in America. The Census Bureau defines as “poor” any household with a cash income less than the officially specified “poverty income threshold.” In 1990, the latest year for which the calculation has been made, the “poverty income threshold” for a family of four was \$13,359.

There are two key flaws in the federal government’s measurement.

**First**, when calculating a family’s financial situation, the Census Bureau ignores all of the family’s existing assets. Cars, homes, and other valuables have no bearing on the determination. When private sector financial analysts determine a family’s financial condition, of course, such assets are included. The Census Bureau counts only income acquired during the year. Under these limited criteria, a small businessman who loses money during the current year is defined as “poor,” even though he may own assets worth hundreds of thousands of dollars.

**Second**, the Census Bureau also greatly understates the current incomes of lower-income families. For one thing, the Bureau misses cash earnings that families do not report to tax collectors; for another, it ignores \$158 billion in welfare benefits that go to these families. The benefits ignored by the Bureau include much cash welfare, food stamps, Medicaid, public housing subsidies and most other welfare spending. The total missing welfare spending comes to an average of \$11,120 for every poor household in America.

To give accurate information to members of Congress and federal policy makers about poverty, so that they can design better welfare programs, the federal government should revise its measurement of poverty. The current Census poverty report lacks credibility because it does not provide complete and accurate information on the living conditions of America’s poor. It should be replaced with a new government assessment of poverty. To obtain this, the government should:

- 1) **Integrate and expand existing government surveys measuring the actual physical living conditions of low income families.** This would include measurements of food consumption, nutrition, housing conditions, and property ownership.
- 2) **Create a new measure of financial resources available to low income persons.** The Census Bureau’s official measure of income now is very inaccurate. Other surveys conducted by the Bureau, for example, reveal that low-income households in 1989 spent \$1.94 for every \$1.00 of “income” reported by the Census Bureau.<sup>6</sup> Instead of publishing flawed income surveys, the federal government should present Congress and the American people with an accurate assessment of the financial status of low-income households based on

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<sup>6</sup> See Robert Rector, "How Poor Are America's Poor?" Heritage Foundation *Backgrounders* No. 791, September 21, 1990.



actual household expenditures and assets, as well as a correct count of the billions of dollars in welfare benefits received each year.

## THE LIVING CONDITIONS OF THE POOR

The family income data of the Census Bureau leave the impression among most Americans that millions of American households are malnourished and lack adequate housing. According to the 1991 Census Bureau report, there were 33 million poor persons in the U.S. in 1990.<sup>7</sup> But few of the 33 million persons defined as poor actually fit the public image of poverty. Scientific surveys conducted by the U.S. Department of Agriculture, U.S. Centers for Disease Control, and even the U.S. Census Bureau itself, show that the actual living conditions of "poor" persons are far better than most Americans imagine.

**Table 1**  
**Housing Conditions: Poor Households**

	All Poor Households	Poor Owner Households	Poor Renter Households
Free from all external defects (broken windows, sagging roof, missing roof material, sloping walls, and cracks in foundation)*	88.9%	91.0%	87.5%
No broken or boarded windows in building*	95.0	97.8	93.2
Has full kitchen (stove, oven, sink, and refrigerator)	97.4	98.7	96.6
No significant peeling interior paint or cracked interior plaster	90.5	92.8	89.6
Free from recurrent toilet stoppages or breaks in prior three months**	98.2	98.9	97.6
No crowding: adequate space	92.1	95.3	90.0
No heating problems through prior winter	88.9	91.2	86.9
No signs of rodents in prior three months	90.7	92.6	89.4

**Note:** All figures are in percent.  
\* Data from 1985 American Housing Survey; later figures are not available.  
\*\* Having all toilets stopped up two or more times in the last 3 months.  
**Source:** U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office, July 1991).

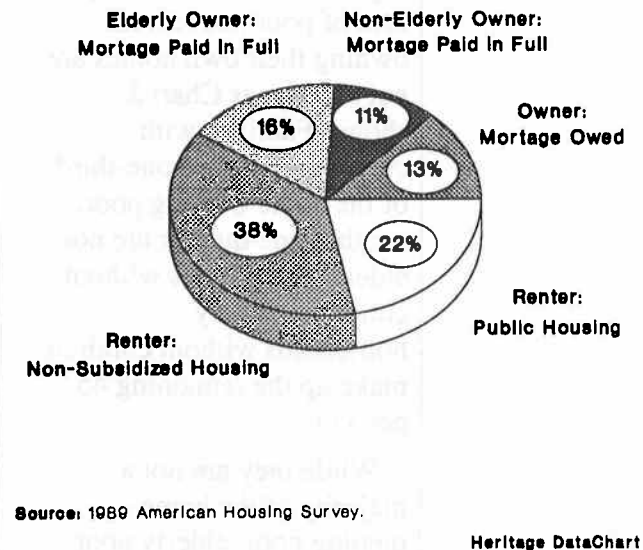
<sup>7</sup> U.S. Department of Commerce, Bureau of the Census, *Measuring the Effect of Benefits and Taxes on Income and Poverty: 1990*, Series P-60, No. 176—RD, (Washington, D.C.: U.S. Government Printing Office, August 1991), p. 11.

In reality, for example, there is little or no poverty-induced malnutrition in America; poor persons have virtually the same levels of nutrient consumption as the middle class.<sup>8</sup> Poor children today actually are super-nourished compared with the children of previous American generations. Today's poor children will grow up to be significantly taller and heavier than the average child of the same age in the general American population of the late 1950s.<sup>9</sup> The overriding dietary problem among low-income American families is not a lack of nutritious food, it is obesity.

Similarly, the popular image of the housing of the poor is of a dilapidated building with broken or boarded-up windows. In reality, very few poor homes fit this description. The overwhelming majority of poor persons live in housing that is roomy, structurally sound, and in good repair.

Table 1 is based on the Census Bureau's "American Housing Survey" of 1989, the latest available data on the housing conditions of poor households. According to the survey, the majority of poor households live in single homes with two or three bedrooms. As Table 1 shows, some 89 percent of homes and apartments of the poor are free of external problems, such as a sagging roof or cracks in the foundation; 95 percent are free of major defects such as broken or boarded-up windows.<sup>10</sup> And only one out of ten homes housing the poor suffers from internal maintenance problems such as peeling paint, cracked plaster on interior walls, signs of rodents in the last three months, or at least one heating problem during the previous winter.

**Chart 1**  
**Poor Households: Owner vs. Renters**  
**1989**



8 Rector, "Food Fight," *op. cit.*; and Rector, "Hunger and Malnutrition Among America's Children," *op. cit.*  
 9 Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.  
 10 The estimate of the percent of housing units free from all external defects is based on those units in which a complete examination of the external conditions of the house was made by the Census Bureau. Housing units for which complete observations were not made were excluded from the calculation. *American Housing Survey 1985*.

**Decent Quality.** The vast majority of poor households live in housing free of even minor problems. The quality of housing for poor households, in short, is far superior to the image of “poverty” conjured up in the minds of most Americans.

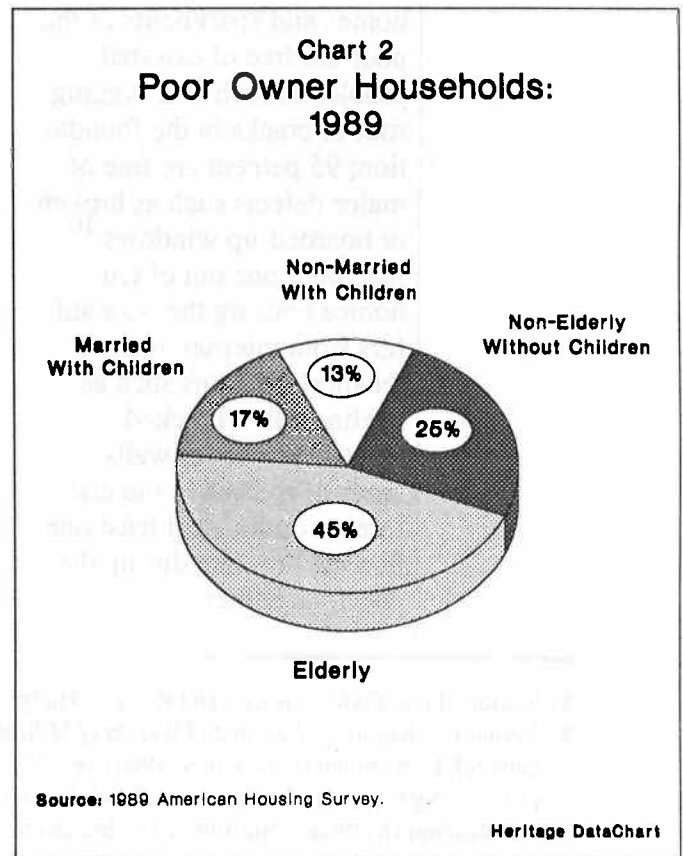
Another surprising fact is that 39.5 percent of all households classified as poor by the Census Bureau actually own their own homes. The average home owned by the poor, moreover, is a three-bedroom house in a non-urban area. And as Chart 1 shows, close to three-quarters of home-owning poor families have fully paid off all mortgages on their homes. While the majority of poor households with fully paid mortgages are elderly, there are nearly 1.5 million non-elderly, poor households who own homes free of mortgages. These households constitute 11 percent of all poor households in the U.S.

Chart 1 also gives some indication of the cost of housing for low-income households. It shows that 22 percent of all poor households reside in public housing. This means that 61.5 percent of poor households either own their own homes or live in heavily subsidized public housing—in either case, housing payments are very low, or even zero.

## HOME OWNERSHIP AMONG THE POOR

Contrary to common perceptions, most of the 40 percent of poor households owning their own homes are not elderly, as Chart 2 shows. Families with children comprise one-third of the home-owning poor; another one-quarter are non-elderly households without children. Elderly households without children make up the remaining 45 percent.

While they are not a majority of the home-owning poor, elderly poor householders are more likely to own homes than are other types of poor households. As Chart 3 shows, over 60 percent of all poor, elderly households own homes. By comparison, the rate of home ownership among poor families with children is less than half the rate of the elderly—or 27 percent. And roughly one-third of those poor families who are childless and not elderly own their homes.



To be sure, Americans classed as poor do not live in villas or mansions. But neither do many live in slums.

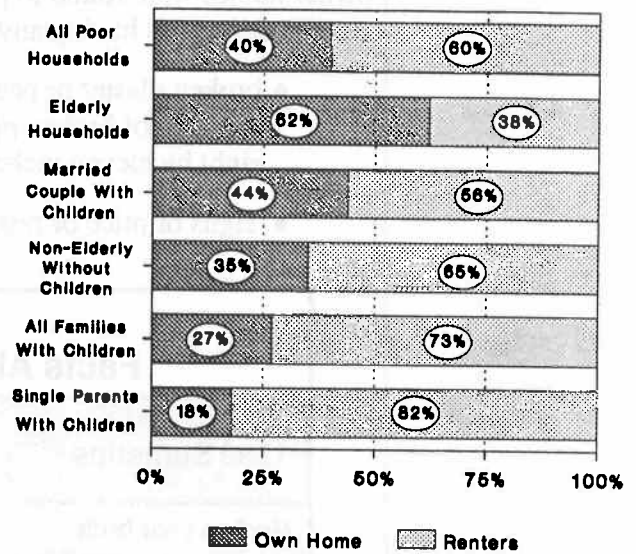
The average house owned by poor households is of reasonable size and in good physical condition. According to the data, the typical house owned and occupied by a poor American household was built in the mid-1950s and is eight years older than a home owned and occupied by the average American family.

The average poor homeowner has five or six rooms, plus bathrooms.<sup>11</sup> The house has three bedrooms and one bath and is situated on roughly a one-half acre lot. Over half of homes owned by the poor have a garage or carport and three-quarters have a porch deck or patio.

**Comparable Homes.** These are modest homes, but there are not vast differences between homes owned by America's poor and those owned by the rest of the American population. Compared with the general U.S. owner-occupied housing stock, homes owned by the poor have one less room and 25 percent less living space. And while nearly two-thirds of all American owner-occupied homes have more than one bathroom, only one third of poor-owner homes have more than a single bath.

Low-income Americans often are the target of derogatory comments about their supposed unwillingness or inability to keep up their homes. The facts tell a different story. Homes owned by poor households show a surprisingly high level of upkeep. According to the latest available data, from the 1985 American Housing Survey, only 2 percent of poor-owner homes had broken or boarded-up windows; a total of 9 percent had

Chart 3  
Share of Poor Households Owning Home:  
By Family Type



Source: 1989 American Housing Survey.

Heritage DataChart

11 The Census Bureau includes in its count of rooms within a home: bedrooms, living rooms, kitchens, separate dining rooms, recreation rooms, and other rooms used for year-round living. Bathrooms, closets, porches, garages and unfinished basements are not counted as separate rooms. The Census Bureau slightly undercounts the number of rooms in American homes and apartments because it counts a dining room as a separate room only if it is separated from all adjoining rooms by walls. Dining rooms which open directly into living rooms are not counted as separate rooms even though this is a common feature in many homes and apartments. Thus many rooms which would be conventionally thought of as separate dining rooms are in fact excluded from the Census count.



external deficiencies such as broken windows, missing roof material, sloping walls or cracks in the foundations.<sup>12</sup>

The interior of nearly all of the homes owned by the poor was in good repair, according to the 1989 housing survey. The Census Bureau found only 8 percent had even minor levels of peeling paint or chipped plaster. Overall, just 3.5 percent of poor-owner homes were found to have “moderate upkeep problems,” which the Census Bureau defines as having any three of the following six conditions:

- ◆ broken plaster or peeling paint on inside walls or ceilings, with at least one area of broken plaster or peeling paint as large as a piece of paper eight by eleven inches.
- ◆ signs of mice or rats in the last 90 days.

**Table 2  
Facts About Owner-Occupied Housing**

1989 Statistics	All Owner-Occupied Housing	Poor Owner-Occupied Housing
Median year built	1964	1956
Median number of square feet per unit	1766	1329
Median number of square feet per person	688	713
Median number of rooms	6.0	5.0
Median number of bedrooms	3.0	3.0
Average number of persons per household	2.8	2.5
Share with air conditioning	73.2%	59.7%
Share with porch, deck, or patio	84%	78%
Share with three or more bedrooms	72.1%	58.3%
Share with more than one bathroom	64%	38%
Share with garage or carport	73%	56%
Median size of lot	.41 acres	.47 acres
Share in central cities	24.1%	24.3%
Share in South	35.6%	48.4%
Median monthly housing costs (mortgage, insurance, utilities, and taxes)	\$398	\$192
Percent with mortgage paid in full	42.4%	68.2%

**Source:** U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).

12 Data on external deficiencies are not available for single unit dwellings after 1985.



- ◆ any crack in interior walls wide enough to allow one to insert a dime; cracks need not go through wall.
- ◆ any water leaks in last 90 days from interior pipes or plumbing fixtures.
- ◆ any water leaks in last 90 days from roof, windows, or basement.
- ◆ any dents or holes in floors.

Following the Census Bureau's very specific standards, only eight out of one thousand homes owned by the poor (0.8 percent) were found to have "severe upkeep problems," defined as having five out of six of the above deficiencies.

The most common problem affecting poor home owners, in fact, is water leaks from the basement, windows, or roof. Over one out of five poor home owners reported such water leaks during a twelve-month period. Yet this is a problem affecting a wide range of American home owners, not just poor home owners. In fact, 18 percent of non-poor, American home owners reported such water leaks in 1989, a rate virtually identical to that of poor American home owners.<sup>13</sup>

**Poor Households, Expensive Homes.** In keeping with their smaller size and greater age, homes owned by the poor have a lower retail value than those owned by the general population. The median value of homes owned by the poor was \$43,562 in 1989, an amount equal to 58 percent of the median value of all owner-occupied housing in America, which was \$75,359 in that year. The average home owned by poor persons is comfortable but modest.

Yet, the 1989 Census survey also showed that about 1.1 million poor households owned homes with values greater than the median value of all U.S. owner-occupied housing, both poor and non-poor. Such "poor" households owning relatively expensive homes make up over 8 percent of all poor households. The Census Bureau even reports over 215,000 "poor" households owned homes worth over \$200,000, and 75,000 "poor" households owned homes worth over \$350,000.<sup>14</sup>

The fact that nearly one-tenth of all poor households own homes worth more than the average American home dramatizes how absurd it is for the Census Bureau to ignore assets in determining whether or not a family is poor.

## RENTAL HOUSING AMONG THE POOR

Over 60 percent of the poor, or 7.5 million households, rent houses or apartments. While the elderly are the largest group of poor home owners, single parents with children are the largest group of poor renters. Over 80 percent of single parents classified as poor rent homes, and single parents account for over one-third of all poor households who rent. As Chart 4 shows, members of non-elderly households without children are the next largest group of poor renters, comprising over one-quarter of the

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<sup>13</sup> *American Housing Survey, 1989, op. cit.*, p. 98.

<sup>14</sup> *Ibid.*, p. 116.

total. Married couples with children are the smallest group among poor renters, accounting for only 15 percent of the total.

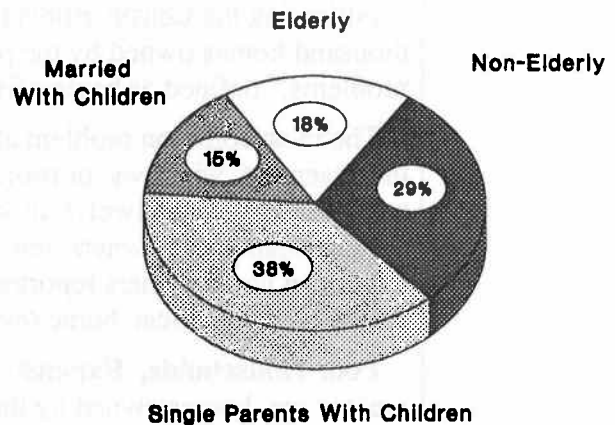
The typical poor rental unit was built in the mid-1950s and is about six years older than units rented by the non-poor. Nearly 40 percent of all poor rental housing units are single unit dwellings; the remainder are multi-unit apartment buildings, generally with less than twenty apartments per building. Over half of all rental units occupied by the poor have a balcony, patio, or porch. Some 49 percent have air conditioning.

Few poor renters living in apartment buildings report the conventional signs of slum living.<sup>15</sup> Only 1 percent report a lack of working lights in building hallways, and 4 percent say their apartment building has broken or boarded-up windows. In apartment buildings with elevators, 7 percent have elevators that are broken.

Poor renters are nearly twice as likely as poor owners to have problems keeping up their residences; roughly 1 percent of poor renters have “severe upkeep problems,” based on the criteria used by the Census Bureau.<sup>16</sup> Another 6 percent have “moderate upkeep problems,” as defined by the Census Bureau.<sup>17</sup> In particular, some 11 percent of poor renters report signs of mice or rats during the previous three months. One in ten poor renters report that their toilets were broken or plugged for more than six hours on one or more occasions during a three-month period—but only about 2 percent of poor rental households report frequent toilet breakdowns. The overwhelming majority of poor renters live in housing that is structurally sound, in good repair, free of rodents, and has adequate heating and plumbing equipment.

There is one major difference between poor renters and both poor and non-poor home owners: poor renters are far more likely to be on welfare than are other

Chart 4  
Poor Renter Households:  
1989



Source: 1989 American Housing Survey.

Heritage DataChart

<sup>15</sup> Data on external problems in 1989 are available only for multi-unit structures.

<sup>16</sup> See definition in text on p. 8.

<sup>17</sup> *Ibid.*

households. Over one-third live in public housing. Less than half of all poor-renter households report any earned income.

**Misleading Figures.** Advocates of higher welfare spending or housing assistance contend that, notwithstanding the condition of their rental housing, the poor pay too great a share of their incomes for rent, thus making the purchase of other necessities, such as food, difficult or nearly impossible. For example, the Joint Center for Housing Studies of Harvard University contends that two-thirds of all poor renter households pay over 50 percent of their incomes in housing costs.<sup>18</sup> The Joint Center proposes building many more expensive public housing units to bring down the cost of housing for the poor.

These figures are very misleading, however, because they rely on the Census Bureau household income figures, which greatly underestimate the incomes of poor households. In fact, total spending by these households greatly exceeds their reported incomes, according to the federal government's own figures. Because of this, and since many in-kind benefits available to those families are not counted as income, it should not be surprising to learn that more than 50 percent of their "income" goes to housing. In order to determine if poor households really are spending "too much" of their incomes on housing costs, there would need to be changes in the methodology of the Census Bureau surveys, to present an accurate count of the earnings and financial assets of poor renter households.

**Table 3  
Facts about Renter Housing**

	All Renter-Occupied Housing	Poor Renter Occupied Housing
Median year built	1963	1957
Median number of rooms	4	4
Median number of bedrooms	2	2
Median number of persons per household	2	2
Share in Single unit dwelling	36%	37%
Share with Air-conditioning	62%	49%
Share with balcony, porch, deck, or patio	61%	55%
Share with three or more bedrooms	24%	26%
Share in public or government-subsidized rental housing	14%	36%
Share with earned income	83%	46%
Median monthly housing costs (rent, insurance, and utilities)	\$424	\$281

Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).

<sup>18</sup> Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 1990* (Cambridge, Massachusetts: Joint Center for Housing Studies of Harvard University, 1990) p. 21.



## THE LIVING SPACE OF POOR HOUSEHOLDS

Another indicator of housing quality is the amount of living space available within a house. Living space may be measured either by the number of rooms per person or the square footage of living space available per individual.

In its housing surveys, the Census Bureau counts the number of rooms within each housing unit. Bedrooms, living rooms, kitchens, separate dining rooms, recreation rooms, and other rooms used for year-round living are included in this count. Bathrooms, closets, porches and unfinished basements are not. On the basis of this survey, the Census Bureau then determines the number of rooms available per person within each household. For example: A three-person family living in a three-bedroom house with a kitchen, living room, and separate dining room would be counted as having two rooms per person. Households with less than one room per person are defined as "crowded." Thus, a family of five living in a two-bedroom apartment with a living room and kitchen would be regarded as "crowded."

Data from the 1989 housing survey indicate that the average poor household actually has roughly the same number of rooms per person as the average American household. As Table 4 shows, 60 percent of poor households have two or more rooms

**Table 4**  
**Crowding in Poor Households**

	2 or more rooms per person	1 to 1.99 rooms per person	Crowded — less than 1 room per person
<b>All poor households</b>	59.5%	32.6%	7.9%
<b>Elderly poor</b>	90.7	8.4	1.1
<b>Non-elderly poor</b>	45.9	43.1	10.9
<b>Poor renters</b>	50.5	39.4	10.0
<b>Poor owners</b>	73.2	22.1	4.7
<b>Central City poor</b>	54.5	36.1	9.4
<b>Poor Black</b>	49.0	42.0	9.0

Note: All figures are in percent.  
Source: U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, *American Housing Survey for the United States in 1989*, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).

per person. This compares with a rate of 66 percent among the general population. A full 91 percent of elderly poor households and 73 percent of poor home owners have two or more rooms per person. Even among those who have the lowest quality housing, such as central city households, roughly half have two or more rooms per person. By contrast, only 8 percent of poor households are "crowded," having less than one room per person. The crowding rate rises to roughly 10 percent among non-elderly poor, central city poor, and poor renters.

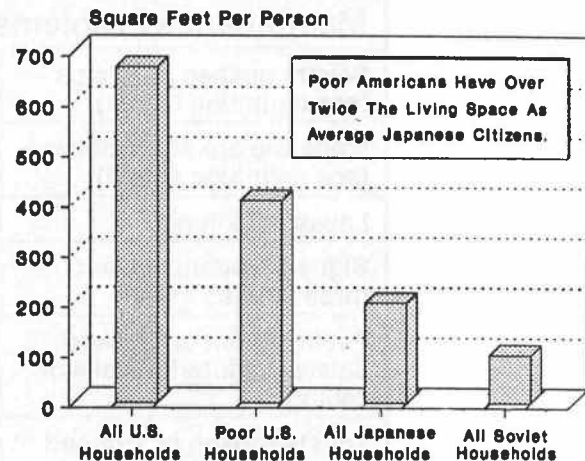
While this amount of space might seem modest to Americans, it would seem generous to average households in many foreign countries. While poor Americans have an average 1.8 rooms per person, the Irish have only 1.1; the Italians, 1.25; and



the affluent Swiss, 1.4.<sup>19</sup> Outside Europe, the average Japanese lives in a home with 1.25 rooms per person.<sup>20</sup>

Another useful measure of the quality of housing is square feet of living space per capita. As Chart 5 shows, poor persons in the U.S. have an average of 405 square feet per capita, or 61 percent of the living space available to the average American. On this, the international comparison is striking. While poor Americans have less living space than the average American, they have twice as much living space as the average Japanese and four times the living space of the average citizen of the former Soviet Union.<sup>21</sup>

Chart 5  
Housing Space:  
An International Comparison



Sources: U.S. Department of Energy, Energy Information Administration, *Housing Characteristics 1987, 1989*. A.S. Zaychenko, "United States-USSR: Individual Consumption (Some Comparisons)", *World Affairs*, 1989. "The Affluent Japanese Household", *Business America*, 1981.

Heritage DataChart

## WHAT ABOUT CENTRAL CITY HOUSING?

The term "central city poor" brings to mind images of rat-infested inner-city tenements, studded with boarded-up or broken windows. Some of the central city poor do indeed live in squalid housing in dangerous, underclass neighborhoods. But the vast majority of housing for the poor in America's inner cities is in fact free of the defects commonly associated with slums.

Some 41 percent of American poor households live in central cities. The central city poor are more likely to be single parent families, with family heads less likely to work, than are the poor elsewhere in the nation. The average poor central city household lives in a two-bedroom apartment with a balcony, built around 1948. Fifty percent of poor central city households have air conditioning. And half of the households own a car or truck.

<sup>19</sup> *Living Conditions in OECD Countries: A Compendium of Social Indicators* (Paris: Organization for Economic Co-operation and Development, 1986), p. 133. European and Japanese figures provide the mean number of rooms per person. Figures for poor American households are also means.

<sup>20</sup> *Ibid.*, p. 133.

<sup>21</sup> U.S. Department of Energy, Energy Information Administration, *Housing Characteristics 1987* (Washington, D.C.: Government Printing Office, 1989), p. 25. A.S. Zaychenko, "United States-USSR: Individual Consumption (Some Comparisons)", *World Affairs*, Summer 1989, p. 10. "The Affluent Japanese Household," *Business America*, March 23, 1981, p. 10.

**Table 5  
Housing Deficiencies: Poor vs. Non-Poor**

	Non-poor	All-poor	Poor Owner	Poor Renter	Central City Poor
<b>Maintenance Problems:</b>					
Severe upkeep problems (see definition in text)	0.15%	0.89%	0.79%	0.95%	0.95%
Moderate upkeep problems (see definition in text)	1.51	5.06	3.52	6.07	6.47
Lacks full kitchen*	0.97	2.57	1.34	3.37	3.14
Signs of rodents in last three months	2.93	9.29	7.36	10.56	11.33
Peeling paint or cracked plaster on interior walls or ceiling	3.59	9.15	7.17	10.45	11.29
Toilets broken or stopped for more than six hours two or more times in the last three months	0.58	1.89	1.08	2.43	2.28
<b>Heating Problems</b>					
Cold for 24 hours or more at least once last winter**	5.2%	11.15%	8.79%	13.12%	13.0%
<b>Cause of Heating Problems:</b>					
1. Equipment failure	2.11	4.0	2.25	5.22	5.42
2. Inadequate heating capacity	1.05	3.13	2.38	3.75	4.02
3. Inadequate insulation	0.66	1.84	1.40	2.21	1.77
4. Other cause	1.4	2.48	2.15	2.76	2.23
<b>Water leaks</b>					
Any water leaks from inside unit from pipes or fixtures in past year	11.6%	15.69%	11.5%	18.44%	19.53%
Any water leaks from outside unit, through roof, basement, or window last year	16.97	17.24	21.95	14.14	15.26
<p><b>Note:</b> All figures are in percent.  * Full Kitchen means having a sink, refrigerator, and stove.  ** Excludes instances caused by power failures.  <b>Source:</b> U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, Office of Policy Development Research, <i>American Housing Survey for the United States in 1989</i>, Current Housing Reports H150/89 (Washington, D.C.: U.S. Government Printing Office July 1991).</p>					

The housing conditions of the inner-city generally are similar to the poor throughout the rest of the country. Among the poor living in apartments, 4.5 percent live in buildings with some broken or boarded-up windows.<sup>22</sup> Eleven percent of poor households in 1989 reported signs of rodents within the last three months. Based on Census

<sup>22</sup> Data on broken and boarded-up windows in the 1989 survey are limited to multi-unit dwellings.

Bureau criteria, 1 percent of poor central city households had "severe upkeep problems," and 6.5 had "moderate upkeep problems." But the overwhelming majority of housing units occupied by the poor in the central city are in reasonable condition and are free of such defects.

## THE SPECIAL CASE OF THE HOMELESS

While the overwhelming majority of poor persons identified by the U.S. Census Bureau are well fed and decently housed, the Census Bureau generally excludes homeless persons from its housing surveys and its annual poverty and income surveys.<sup>23</sup> Nevertheless, this does not alter the data in a statistically significant fashion, even though the homeless problem has clear implications for public policy.

While the Census does not capture the homeless in its annual population and income surveys, the highest scientific estimate, compiled in 1989 by Martha Burt and Barbara Cohen of the Urban Institute, places the number of homeless at between 355,000 and 445,000.<sup>24</sup> Thus even if the homeless were correctly included in the Census poverty count, they would represent no more than 1.5 percent of all poor persons.

Rejecting the Urban Institute's estimate of the number of homeless persons, and opting for a higher number, still would not significantly alter the overall picture. Even the politicized and thoroughly discredited claim of two million homeless persons, made by some homeless advocates, means the homeless still would represent no more than 6 percent of all poor persons. Including the homeless in the Census poverty count thus would not alter the fact that the overwhelming majority of America's 30 plus million poor persons are housed in reasonably good conditions.

## UNSCRAMBLING THE POVERTY PUZZLE

The Census Bureau reports on poverty declare year after year that there are over 30 million poor Americans. But other government surveys measuring actual food consumption, nutritional status, housing, and property ownership show that few of the households defined as "poor" by the Census are poor in the sense understood by most Americans. Furthermore, in contrast to the official Census poverty count, measures of the actual living standards of the poor show improvement over time. How can the contradiction between the official poverty numbers and these other data be explained? There are five reasons for this disagreement:

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- 23 The Census Bureau, however, did attempt to count the homeless in the 1990 decennial census of the entire U.S. population. In that year, the Census counted 230,000 homeless persons in shelters and on the streets and in abandoned buildings.
- 24 Martha R. Burt "Developing the Estimate of 500,000 to 600,000 Homeless People in the United States in 1987," Department of Commerce, U.S. Bureau of the Census, *Enumerating Homeless Persons: Methods and Data Needs* (Washington, D.C., U.S. Department of Commerce: March 1991), pp.130-139.

**Reason # 1: A large number of the poor, as defined by the Census**

**Bureau, are only “temporarily poor.”** This category would include many individuals thrown out of work. Included also are the families of businessmen who suffer losses in a given year. Such families may have reasonable amounts of savings which they spend during the period of lost or reduced income. Despite temporarily low income, their life-style may not change dramatically. Few Americans would consider these households as “poor.” They are radically different from families trapped in welfare dependence and permanent poverty.

Without in any sense minimizing the emotional and economic distress felt by a family whose breadwinner has lost a job, lumping the temporarily poor and long-term poor together into a single category of “the poor” only creates harmful confusion among policy makers and leads to ill-considered policies. Welfare is not an answer for the “temporarily poor.” These families would benefit much more from policies that foster a robust economy and new job creation.

**Reason # 2: Significant numbers of poor and low-income families have cash earnings which they do not report to the Census Bureau or the Internal Revenue Service.** There are large numbers of individuals working primarily for cash payments rather than salaries. These include waitresses, housekeepers, handymen, repairmen, and many other self-employed persons. Census Bureau officials admit that those who have not fully reported cash earnings to the IRS are unlikely to report those same earnings to Census takers. A recent study of welfare mothers in an unidentified major midwestern city, for example, found that over 90 percent had jobs and income they had concealed from government authorities.<sup>25</sup> Some middle and upper income families do the same, of course. Government surveys of expenditures show that low income households typically spend \$1.94 for every \$1.00 of income reported to the Census Bureau.<sup>26</sup> This explains in part why some families may be reasonably well fed and housed while having little or no apparent income.

**Reason # 3: The Census Bureau does not count much welfare assistance in its calculation of poverty.** A family is defined as poor by comparing family income to an official income level, or “poverty threshold.” The poverty threshold for a family of four was \$13,359 in 1990. But in excluding nearly all welfare assistance from its calculation of family income, the Census Bureau gives the public an erroneous picture of poverty in America.

Total annual federal, state, and local welfare spending amounted to \$184 billion in 1988. This figure excludes programs for the middle class such as Social Security and Medicare. But of this total welfare spending,

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<sup>25</sup> Christopher Jencks and Kathryn Edin, “The Real Welfare Problem” *The American Prospect*, Spring 1990, pp. 31-50.

<sup>26</sup> See Robert Rector, *How Poor Are America's Poor?* *op. cit.*, p. 5.



the Census Bureau counts only \$27 billion as income. Thus, \$158 billion of welfare assistance is devoted to helping the disadvantaged but is not counted by the Census Bureau. This is equal to an average of \$11,200 for each poor household.

If the total value of all welfare benefits were counted, many "poor" families would be shown to have financial resources well in excess of the government's poverty threshold. This, in part, explains why so many welfare families may be reasonably well fed and housed despite the fact that the Census Bureau reports them to have little or no income.

**Reason # 4: The Census Bureau ignores all assets and savings in determining whether or not a family is "in poverty."** But a family which has fully paid for and furnished a house, and paid for a car, will not necessarily have a poverty life-style even if its annual cash income is regularly below the official poverty level. This point is particularly important among the elderly.

**Reason # 5: Low family income does not automatically indicate destitute living conditions.** There is a general assumption that all households with incomes below the federal poverty income threshold are unable to afford adequate food and housing. This assumption is incorrect. Given the low cost of basic food and housing, for instance, it is possible for many families to feed and shelter themselves adequately while having incomes below the poverty threshold.

And many do. The median annual housing costs for the average poor household of two persons, including utilities and taxes, came to \$2916 in 1989.<sup>27</sup> According to the U.S. Department of Agriculture, a thrifty but nutritious diet for that same household would cost about \$1980 per year. So, the combined food and housing costs would amount to \$4896, or 61 percent of the official poverty threshold in that year for a household of that size. Similarly, food and median housing costs for a poor married couple with two children living in non-subsidized rental housing is \$8267 per year.<sup>28</sup>

This figure is 65 percent of the poverty threshold for a family of that size. Over half of all poor households, of course, actually have housing costs below the median figures given above. Given the typical cost of basic food and housing in the U.S., it is simply incorrect to assume that most families with incomes below the poverty level must be inadequately housed and fed.

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<sup>27</sup> *The American Housing Survey for the United States in 1989*, p. 60.

<sup>28</sup> Figures on median housing cost of non-subsidized poor renter households are from the Joint Center for Housing Studies, Harvard University, *The State of the Nation's Housing 1990*, *op. cit.*, p. 21. Food costs are based on the Agriculture Department's THRIFTY Food Plan. All figures are for 1989.

## CREATING AN ACCURATE MEASUREMENT OF POVERTY

It widely is agreed that federal welfare policy clearly is in need of an overhaul. While the 1988 Welfare Reform Act was designed to change welfare policy substantially, the law largely expanded current programs. The perverse incentives that promote dependency, illegitimacy, broken families and hopelessness among the poor remain intact in the system.<sup>29</sup>

Fashioning an intelligent policy to attack poverty is impossible without a clear idea of the true dimensions of the problem. This means separating fact from fiction, and replacing popular prejudices with hard data. Without that, Congress cannot prescribe an effective remedy to the problems of the poor or target assistance to those low-income families that need the most help. The first step to developing sound reform policies, then, is better information.

Because the Census Bureau's annual poverty estimate does not provide such accurate information about the earnings and welfare benefits received by these households, its report should be replaced with a new system of assessing poverty in the U.S. This system would have two components:

◆ ◆ **The system should improve existing measures of actual living conditions.**

The federal government currently uses surveys that measure the actual housing conditions, property ownership, food consumption, and nutritional status of the poor. These reports include *Food Consumption Surveys* published by the U.S. Department of Agriculture, *Housing Characteristics*, published by the Department of Energy, the *American Housing Survey*, published jointly by the Census Bureau and HUD, and various reports of the National Health and Nutrition Examination Survey, published by the Department of Health and Human Services.<sup>30</sup>

These reports contain accurate and valuable data on the living conditions of poor Americans. They paint a very different picture of low income Americans than that contained in the Census Bureau's annual poverty report. And in contrast to the Census poverty report, they show genuine improvements in the living standards of the poor over time.

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- 29 For a general discussion of welfare reform see Robert Rector and Michael McLaughlin, "A Conservative's Guide to State Level Welfare Reform" in *A Conservative Agenda for the States*, published by the Texas Public Policy Foundation, forthcoming, pp. 5-6.
- 30 Examples of these are: U.S. Department of Agriculture, *Food Consumption: Households in the United States*, Spring 1977, Report No. H-1, (Washington, D.C.: U.S. Government Printing Office, September 1982); U.S. Department of Energy, *Housing Characteristics 1987*, (Washington, D.C.: U.S. Government Printing Office, May 26, 1989). National Center for Health Statistics, U.S. Department of Health and Human Services, *Anthropometric Reference Data and Prevalence of Overweight, United States 1978-80, Vital Health and Statistics*, Series II, No. 238 (Washington, D.C., U.S. Government Printing Office: 1987).

The main problem is that while the government collects this solid data, few policy makers apparently read them; some, doubtless, have never even heard of these government surveys.

The federal government thus should conduct these surveys more frequently, expand them to collect more detailed information about low income households, and give them much greater prominence. At least once every three years the government also should issue a single combined report on the actual living conditions of the poor, integrating hard data from these sophisticated federal surveys.

◆ ◆ **The system should measure correctly the financial resources available to low income households.**

The Census Bureau's current method of measuring the income of poor households is grossly inaccurate. The *Consumer Expenditure Survey* published by the Bureau of Labor Statistics, a bureau of the Department of Labor, shows that low income households spend \$1.94 for every \$1.00 of income reported by the Census Bureau.<sup>31</sup> This survey of actual expenditures gives a far more accurate picture of living standards than the erroneous Census income measure. In addition, poor households receive many non-cash welfare benefits such as medical assistance and housing subsidies that are not measured in the consumer expenditure surveys.

The government should create a new survey to measure the actual financial status of "poor" households based on an accurate count of expenditures and non-cash welfare benefits. This survey could be used to determine the number of households in which expenditures and welfare benefits fell below the "poverty income thresholds."<sup>32</sup>

## CONCLUSION

The Census Bureau figures on the rate of poverty in the U.S. form the basis of welfare policy making. But the figures are wrong. The Census Bureau greatly undercounts the incomes of "poor" Americans, and the actual physical living standards of the households identified "poor" by the Census Bureau are far better than the public imagines.

Of course, America's poor do not live lavishly. But few households are "poor" in the sense of being destitute. The average poor family is well fed and well housed in a two bedroom house or apartment that is structurally sound, in good repair, and well heated. Very few poor persons live in crowded conditions. Forty percent of all poor households own their own homes. And the average home owned by a poor household is a three-bedroom house in good repair with a value equal to 58 percent of the average value of all homes owned in America.

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31 Robert Rector, Kate Walsh O'Beirne, and Michael McLaughlin, "How Poor Are America's Poor?" Heritage Foundation *Background* No. 791.

32 The proposed survey would combine elements of the Consumer Expenditure Survey and the Survey of Income and Program Participation.

**Dramatic Improvement.** Moreover, the housing conditions of the poor have improved dramatically over the last thirty years. In 1960 some 25 to 30 percent of poor households actually lacked an indoor toilet. Today such situations are virtually non-existent. Today 53 percent of poor households have air-conditioning, compared to 36 percent among all U.S. households, both poor and non-poor, just twenty years ago.

For state legislators and Members of Congress to devise sound welfare policies, they need accurate information. They do not have it today. The federal government should revise its surveys to **provide** more accurate information about the financial resources and actual living conditions of "poor" Americans. Such good information is the necessary first step in reforming America's failed welfare system.

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