How to better assess poverty in Chicago and America

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Executive summary

America’s War on Poverty has been an abject failure. Nearly $12 trillion and 60 years later, official poverty rates remain basically unchanged. While the nation waged a well-intentioned assault on poverty, it inadvertently launched a far more sinister war: on dignity.

While attempting to eradicate poverty, America created countless government welfare programs. In doing so, it failed to consider the perverse incentives the system was creating to deny people purpose. Rather than helping desperate Americans down the path of dignity through work and self-sufficiency – the only way to truly eliminate poverty – government programs have instead focused on handouts, often tied to income levels. These have left people with impossible choices: struggle to provide for their family at a job or reduce work activities and receive greater benefits from the government.

This is especially true in America’s big cities such as Chicago, where the poverty rate is now higher than when the War on Poverty began. Communities will only eliminate poverty when they correctly diagnose the problem.

This diagnostic report offers a more robust analysis of Chicago by looking at it through a novel lens. Traditionally, studies of poverty consider poverty rates. This is necessary but not sufficient because it overlooks important elements of the problem.

This report offers the “poverty composition” lens for a more complete picture of poverty in Chicago. By looking at the absolute number of people in each demographic in poverty, it offers a more complete picture of who needs help and what might help them.

It looks at a wide range of demographics, including employment status, age, race, ethnicity and sex through both the “poverty rate” and “poverty composition” lenses. It shows while poverty is a major issue across all of Chicago, some populations are more impacted than others. Black Chicagoans face poverty rates nearly triple that of white Chicagoans, more than 1 in 4 children is living in poverty and poverty remains more common among women than men.

Luckily, the data also offer glimmers of hope for how to begin truly defeating poverty. Each additional level of education is associated with large declines in poverty rates, while securing full-time employment can virtually guarantee an individual avoids falling below the poverty line. By more completely understanding the scope of poverty in Chicago, communities can develop a holistic approach to eradicate poverty.

Introduction

For more than half a century, American politicians have set their sights on a noble and necessary goal: eradicating poverty. To that end, the nation has directly invested over $12 trillion in
government welfare programs to “end” poverty.

Sadly, this war has been an abject failure on two foundational fronts.

First, since President Lyndon Johnson famously launched this war in 1964, poverty rates have remained practically flat, fluctuating between about 11% and 15% for decades.

Second, the War on Poverty has become a War on Dignity. Policies designed to alleviate poverty have stripped Americans of their purpose by disincentivizing work. Tens of millions of Americans have been left with the bad choice of working to provide for their families – effectively decreasing their income - or reduce work activity and rely on the government for greater assistance, creating a cycle of dependency that lasts for generations and is extremely difficult to break. The perverse incentives fueling this vicious cycle are a primary reason why there have been no meaningful reductions in poverty rates in nearly 60 years. This is a war everyone is losing.

Until now.

This is the first of a series of reports on poverty, focusing on Chicago. The focus on Chicago is because any successful attempt pivots on solving poverty’s tough cases and Chicago has a poverty epidemic, with over 450,000 men, women and children suffering through it daily.

Far from simply rehashing data, this report offers an innovative angle on understanding poverty in Chicago. Namely, most analyses of poverty demographics focus solely on differences in poverty rates among various segments of the population. Because Chicagoans of different backgrounds experience poverty differently, it’s necessary to understand the rates at which various communities are afflicted by poverty. These observations inform us on how likely certain demographics are to experience poverty and can help inform where community resources need to be directed or how effective or ineffective certain policies have been for different groups. While necessary, this “poverty rates” approach is not sufficient.

Equally as important for understanding how to best reduce overall poverty is to look at the composition of the impoverished population by demographic group. Doing so produces optimal solutions to reduce poverty across the entire impoverished population.

For example, only 6.5% of Chicagoans with a bachelor’s degree are living in poverty. This is very low compared to the city-wide average of 17.2% of Chicagoans living in poverty. One might conclude addressing poverty among the college educated is of relatively little consequence or should not be a priority.

Our “poverty composition” approach shows a different view. Chicagoans with a bachelor’s degree make up 20% of the impoverished population of those age 25 and above, or over 53,000 individuals. Addressing poverty among those with a college degree is a much larger part of
combatting poverty than simply looking at poverty rates would indicate.

To effectively combat poverty, we need to consider both the poverty rates and “poverty composition,” or how each demographic group contributes to the makeup of the impoverished population.

Any successful attempt to permanently reduce poverty needs to begin by diagnosing the problem. What is poverty? How has it looked historically in America and in Chicago? What does it look like today? How does poverty affect different communities? These foundational issues are considered in this report.

To proceed, clarity is needed on what is meant by “poverty.” In the United States, the official poverty measure has been defined as income equivalent to or less than three times the minimum food diet set in 1963, adjusted for inflation.1 The exact dollar threshold for poverty is also dependent upon family size. In 2023 the federal poverty level was set at $14,580 for individuals and $30,000 for a family of four.

**Historical context**

**UNITED STATES**

In 1964, more than 36 million Americans, or 19%, were determined to be living at or below the federal poverty line.2 While the announcement marked an official start to a concerted federal effort to combat poverty, poverty had already been on the decline in the years prior, falling from an estimated 22.4% in 1959, the first year the metric was available. This near-steady decline in poverty continued throughout the early 1970s, when the poverty rate fell to 11.1% in 1973. In the decades since, progress in the fight against poverty stalled. The official poverty rate has fluctuated with economic cycles, ranging from lows near 11% and rising to highs around 15%, never experiencing another sustained decline.5
Today, nearly 60 years later, more than 41 million Americans live below the poverty line, and the U.S. poverty rate stands at 11.5%.4

No meaningful progress has been made in reducing the U.S. poverty rate in the past 59 years. By this measure, the war has been lost.

That is not to say the living conditions of America’s poorest residents have not improved since 1964. Analysis shows when accounting for transfer payments that come from many of the government welfare and social-assistance programs deployed in the War on Poverty, which are not included in the official poverty measure, the U.S. poverty rate is closer to 2.5%. When you more appropriately account for inflation by acknowledging substitutes and new goods and services made available since the poverty measure was defined in 1963, the poverty rate falls farther to 1.15%.

There’s an obvious disconnect. Three things explain it.

First, the official poverty measure is primarily a measure of pre-tax cash income.5 While some assistance is counted in this measure, others such as Medicaid, Supplemental Nutrition Assistance Program benefits and the Earned Income Tax Credit are excluded.6

Second, experts argue the official poverty data adjustment for inflation – the Consumer Price Index for All Urban Consumers – does not appropriately account for changes in consumer behavior as do other measures of inflation.7

Third, many previous efforts have focused on transfers and assistance programs that tangibly improved the material living conditions of those in poverty. They did not provide for, or incentivize, the long-term self-sufficiency required to truly eradicate poverty.8
Regardless of anyone’s preferred policy solutions, it is important to recognize the results of the War on Poverty and understand the current state of poverty. Those are prerequisites to considering actionable solutions.

CHICAGO

Chicago’s poverty rate has fluctuated much like the national poverty rate, although at consistently higher levels since the War on Poverty began. In 1960 – prior to President Johnson’s declaration – the city’s poverty rate was at 12%. With a substantially lower total population than today, fewer than 110,000 Chicagoans were considered to be living in poverty. This was also much lower than the national average of 22.2% in 1960.

By the time the next decennial census was conducted in 1970 (annual estimates were not available at the city level prior to 2000), the situation had completely changed. While the national poverty rate had declined, the poverty rate in Chicago had risen and was now higher than the national average at 14.5%. While the poverty rate throughout the nation was at slightly lower levels in 1980 and 1990 – 13% and 13.5%, respectively – the poverty rate inside the city of Chicago continued to rise, coming in at 20.3% in 1980 and 21.6% in 1990. It wasn’t until the 2000 Census that Chicago’s poverty rate began to recede, falling to 19.6%. That same year, the national poverty rate fell to its lowest level since 1973, at 11.3%, a level that has since been breached only once.

Poverty was back on the rise by 2010 in both the U.S. and Chicago as the nation dealt with the economic fallout of the Great Recession. That year, Chicago’s poverty rate reached 22.5% while the national poverty rate hit 15.1% – the highest level in decades. But while 2010 was the high-water mark for the national poverty rate, Chicago’s poverty rate continued to climb until 2012, topping out at 23.9% before gradually receding each year prior to the COVID-19 pandemic.
Today, more than 450,000 Chicagoans live below the poverty line and the city’s poverty rate stands at 17.2%, far higher than the national average.9

**CHICAGO VERSUS OTHER CITIES**

Chicago’s poverty rate is higher than the national average, which is to be expected because urban areas have higher poverty rates than suburban areas, where the majority of the U.S. population lives.10 However, even when compared to other large cities, Chicago is a major outlier.

Of the nation’s cities with populations above 1 million, Chicago has the sixth-highest poverty rate, behind Philadelphia (21.7%), Houston (20.7%), San Antonio (18.7%), New York (18.3%) and Dallas (17.8%). Chicago’s poverty rate is well above the U.S. major city average of 15.9%. San Francisco and Austin, which have both received considerable media attention for their homelessness crises, have lower poverty rates than Chicago.

Chicago’s poverty rate is higher than Los Angeles and 65% higher than San Francisco’s, two of the cities often viewed as the epicenter of poverty in America. While those cities may have different problems to contend with, such as homelessness and higher costs of living, poverty is just as much of an issue – or even worse – in Chicago, according to the official poverty measure.

**Demographics of poverty**

Poverty does not affect all Chicagoans equally. There are major disparities in poverty rates between Chicagoans along the lines of age, race, ethnicity, education level and status in the labor force. The data shows securing year-round, full-time employment can virtually eliminate the chances of falling into poverty. Poverty rates are also far higher among Chicago’s minority populations, those without college experience, dependent children and those who are unem-
ployed. Additionally, poverty is more common among women than men in Chicago, although that gap is the smallest of all demographics analyzed. Many of the differences observed in isolation are likely attributable to differences among the various demographic factors in combination.

**EMPLOYMENT STATUS**

Employment status is the single-most important factor impacting the poverty rate. Among those ages 16 and older who participate in the labor force, employees in Chicago face poverty rates of 6.8%, while the unemployed face poverty rates of 39.7%. While those who are unemployed receive no income, their poverty rates are less than 100% for a variety of reasons. The primary reason is because the data factors in a 12-month period, while bouts of unemployment typically last less than nine weeks.11

Much more interesting revelations occur when sorting the ages 16-plus population by work status, including those who do not participate in the labor force. That data shows Chicagoans working full-time, year-round face poverty rates of only 2.3%. Those who work only part-time or part-year face poverty rates of 20.7%. Those who do not work at all face poverty rates of 31.3%.

![Full-time, year-round work best defeats poverty](chart.png)

While poverty rates among labor force participants are also higher across the board in Chicago compared to other major U.S. cities, employees, specifically full-time employees, in Chicago are less likely to live in poverty than their peers in other cities, consistent with the greater earning potential available in Chicago. Conversely, part-time employees and those who did not work or were unemployed in Chicago face higher instances of poverty.

Analyzing the shares of the poverty population based on work status through our “poverty composition” lens yields telling results. In Chicago, only 3% (10,462) of the impoverished age 16-plus population was unemployed and actively seeking work for the past year, while 7%
(23,513) worked full-time, year-round and 29% (96,849) were part-time.

Meanwhile, 61% of the poverty population – nearly 202,000 – were entirely out of the labor force. This cannot be simply explained by retirement-age Chicagoans. There are only 65,387 age 65-plus Chicagoans living in poverty, some of whom work (though the Census Bureau does not publish estimates for the exact number). The bulk of the nearly 202,000 out of the labor pool are in their working-age years.

**EDUCATION**

Research shows education improves lifetime earnings and median earnings improve with every level of education completed.\(^{12}\) Education also makes major differences in poverty rates, with each higher level of educational attainment being associated with lower instances of poverty. Unfortunately, Chicago sees less poverty reduction resulting from education than other major U.S. cities. While those without a high school diploma face higher poverty rates in other cities, Chicagoans see less poverty rate reduction than peers in other cities as education levels increase.
These observations are not fully explained by the earning potential associated with education when employed. Another contributing factor is the likelihood of employment associated with increased educational attainment. Not only do workers with higher levels of education earn more, they are also unemployed at far lower rates throughout the entire economic cycle.13

The share of the impoverished population age 25-plus, when most schooling is completed, is fairly evenly distributed among Chicagoans of all education levels. There are 56% of the Chicagoans living in poverty with a high school diploma or less, while 44% have some college experience or more. Having so many people with at least some college living in poverty is a particularly striking stat and warrants further investigation.

Of the more than 266,000 Chicagoans age 25 or older who are living in poverty, 65,785 (25%) did not complete high school; 83,490 (31%) received only a high school diploma; 64,076 (24%) attended college but did not get a four-year degree; while 53,040 (20%) have a bachelor’s degree or higher level of education.
Poverty rate data may have suggested simply improving educational attainment among those without a high school diploma or making college more accessible to a greater number of individuals would help to substantially combat poverty. However, the “poverty composition” lens reveals each of these groups makes up a roughly equal part of the total impoverished population. That is to say while poverty on an individual level may be relieved via education, the effects on the poverty level are much less pronounced and solutions cannot solely be focused on education.

**RACE AND ETHNICITY**

Poverty in Chicago is far higher among minority populations than the city’s white population. The Black population has a poverty rate almost triple the white population at 28.7% versus 10.3%. The Asian population has a poverty rate of 18.2% – more than 76% higher than the white population. The Hispanic and Latino population faces poverty rates of 14.8%

![Black poverty rates are nearly triple white rates in Chicago](chart)

The differences in poverty rates between the white population and minority populations is far higher in Chicago than in most other major U.S. cities. This is partly because white Chicagoans have lower poverty rates than their counterparts in other cities, while Black and Asian Chicagoans have higher poverty rates than their peers in other areas. The poverty rate among Chicago’s Hispanic population is also significantly lower than the national average in cities, as is the difference between the Chicago white and Hispanic poverty rates.

Race and ethnicity are not mutually exclusive, and reliably estimating these populations without double counting is virtually impossible, as the Census Bureau does not report race and ethnicity in combination, other than for the white population. However, they can still be viewed through each variable respectively to get a sense of the share of each demographic in the impoverished population.
When looking at race alone – where the Hispanic population is distributed within each category – there are more than 95,000 (21%) white Chicagoans in poverty, compared to more than 207,000 (46%) Black Chicagoans, more than 35,000 (8%) Asian Chicagoans, and more than 113,000 (30%) Chicagoans who consider themselves American Indian, Alaskan native, two or more races, or “some other race alone.”

When considering ethnicity – where race is distributed within the Hispanic or Latino category – we see there are more than 117,000 (26%) Hispanic Chicagoans in poverty.

The data shows while there are substantial differences in poverty rates among these groups, there are still large numbers of individuals within these groups who make up a sizable portion of the total poverty population.

**AGE**

There are also large differences in poverty among different ages, specifically those who are under age 18. The highest poverty rates among different age groups in Chicago occur in children under the age of 18, with more than 1 in 4 children (26%) experiencing poverty. The average for U.S. cities is lower at 21%.

There is relatively little variation in poverty rates among the adult population. Young working-age Chicagoans between 18 and 34 face the lowest instances of poverty at 14.3% while older working-age Chicagoans between 55 and 64 face marginally higher poverty rates of 14.7%. Those who are above retirement age – 65 and above – face higher poverty rates at 17.6.

These outcomes differ slightly from the rest of the nation, where younger workers tend to face higher poverty rates than older workers and those in retirement.
Poverty is an income-based variable and the poverty threshold (the amount of money a household needs to earn to be considered above the poverty line) is dependent upon family size. Therefore, as the number of children present in the home increases, so too does the income threshold for poverty status. This partially explains why poverty is more common among children. Additionally, Americans with lower incomes tend to have a greater number of children, exacerbating this trend.

The effect of children on the poverty threshold combined with the phenomenon of lower-income Americans having the largest number of children is likely a large contributing factor, beyond simply the sheer size of each age group, as to why the largest segments of the poverty population are those between the ages of 35-64 – 32%, nearly 145,000 individuals – and those who are under age 18 – 30%, more than 133,000 individuals. Many of the individuals in these segments of the population are likely members of the same household – parents and their dependent children.
SEX

While the difference between male and female poverty rates is relatively small compared to some other demographic differences, female Chicagoans experience poverty at a rate more than 21% higher than their male counterparts. The female poverty rate in Chicago is 18.8% compared to 15.5% for males. Similarly, females make up 56% – nearly 254,000 individuals – of the poverty population compared to 44% – more than 197,000 – for males. This observation is not simply because of the larger share of females in the city population, as females represent 51.6% of the total population.

**56% of Chicago’s poverty population is female**

Number of Chicagoans in poverty by sex, 2022

Chart: @illinoispolicy • Source: U.S. Census Bureau, ACS 1-year estimates, 2022 • Created with Datavizr
Both male and female Chicagoans face higher poverty rates than their counterparts in other cities. Additionally, the gap between male and female unemployment is similar to the gap experienced throughout the rest of the country. These differences are likely attributable to discrepancies in labor force participation between men and women, as well as extremely high poverty rates among single mothers (27.1%). However, in recent years, women have far outpaced men in educational attainment, which serves to combat this disparity.

**Conclusion**

Poverty is one of the most pressing issues facing Chicago. Previous approaches to combatting poverty have failed when considering the official poverty measure: not only in Chicago, but throughout the nation. The historical approach has been to spend trillions of dollars without substantially lowering poverty levels in more than 50 years. Instead, many Americans have been locked in a cycle of poverty for decades, relying on government programs to meet their material needs. Making matters worse is the current system punishes impoverished individuals for attempting to improve their economic standing, rather than assisting them on a path towards self-sufficiency. The outcomes are worst among minority populations, women and children.

The cost of poverty goes far beyond the nearly $12 trillion in taxpayer dollars spent on social assistance programs. Research has shown poverty carries a true economic cost because of the negative effects on productivity, crime and health outcomes that tallies in the hundreds of billions of dollars each year.

But the data also offers a potential solution: securing full-time, year-round employment yields the lowest poverty rates among the many variables reported by the Census Bureau. Evidence also suggests anti-poverty programs that incentivize work have been effective in increasing employment and raising incomes to promote upward mobility. Future consideration for poverty alleviation solutions should then be geared towards programs that improve employment outcomes for capable individuals. Removing cumbersome regulations, improving the quality of education and fostering an environment in which employees, employers and communities can flourish all present opportunities for public policy solutions that can reduce poverty and improve the lives of Chicagoans regardless of their income status.
Endnotes


3 Ibid.


