

The Supplemental Poverty Measure

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Session: Supplemental Poverty Measure and Differential Metrics to Strengthen the Effectiveness of TANF Programs

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Measuring Poverty in the U.S.

- **Current Official Poverty Measure**
 - First adopted in 1965
 - Now under Office of Management and Budget (OMB) Statistical Policy Directive No. 14.
 - Poverty thresholds updated each year by change in Consumer Price Index (CPI)
 - Compares before-tax money income to thresholds
 - Uses Current Population Survey (CPS ASEC)
- **Does not account for**
 - Provision of near-money benefits
 - Necessary expenses (taxes, health care, work)
 - Higher standards and levels of living since 1965
 - Geographic price differences among regions

Supplemental Poverty Measure (SPM)

- Observations from the Interagency Technical Working Group - March 2, 2010
- Will not replace the official poverty measure
- Will not be used for resource allocation or program eligibility
- Census Bureau and BLS responsible for improving and updating the measure
- October 2011 Report with detailed estimates
- Based on NAS panel on measuring poverty 1995 recommendations

Comparing the Official measure and SPM Threshold Concept

Official Measure

- Cost of minimum food diet for a two adult/two child family in 1963 times three to cover all other expenses

Supplemental Measure

- Expenditures over the most recent 5 years on food, clothing, and shelter (including utilities and all mortgage expenses) (FCSU) from the Consumer Expenditure Surveys
 - 33rd percentile
 - all family units with exactly 2 children (adjusted, when needed, to be equivalent to 2 adult/2 child family unit)
 - plus 20 percent to cover all other expenses.

Threshold Adjustments: by shelter type

Official

- No adjustments

Supplemental

- Adjust by distinguishing differences in shelter expenditures by renters, owners with a mortgage, and owners without a mortgage

Threshold Adjustments: family size and composition

Official

- Separately developed thresholds by family type; lower thresholds for elderly singles and couples

Supplemental

- Reference family threshold adjusted by use of a three parameter equivalence scale, which assumes children need less than adults and economies of scale for larger families

Economic Unit of Analysis

Official

- Families or unrelated individuals

Supplemental

- All related individuals who live at the same address, any co-resident unrelated children who are cared for by the family (such as foster children), and any co-habitators and their relatives

Threshold Adjustments: by geographic area

Official

- No adjustments

Supplemental

- Adjust for housing cost differences using five years of ACS data on rental costs
- Make adjustments by MSA and non-MSAs in each state
- Continue to research inter-area price indices

Family Resource Definition

Official

- Gross (before-tax) money income from all sources

Supplemental

Gross money income:

- PLUS value of near-money federal in-kind benefits for FCSU (e.g., SNAP, housing subsidies) and tax credits (EITC).
- MINUS income and payroll taxes and other nondiscretionary expenses
 - child care, work-related expenses;
 - child support payments;
 - out-of-pocket medical care expenses, including health insurance premiums)

Nondiscretionary Expenses

Payroll and state and federal income taxes

- Use current methods, incorporate new CPS ASEC questions

Child care and other work related expenses

- Use data from new CPS ASEC questions on child care expenses paid

Medical Out of Pocket Expenditures (MOOP)

- Use data from new CPS ASEC questions
- investigate the pros and cons of making an adjustment for the uninsured

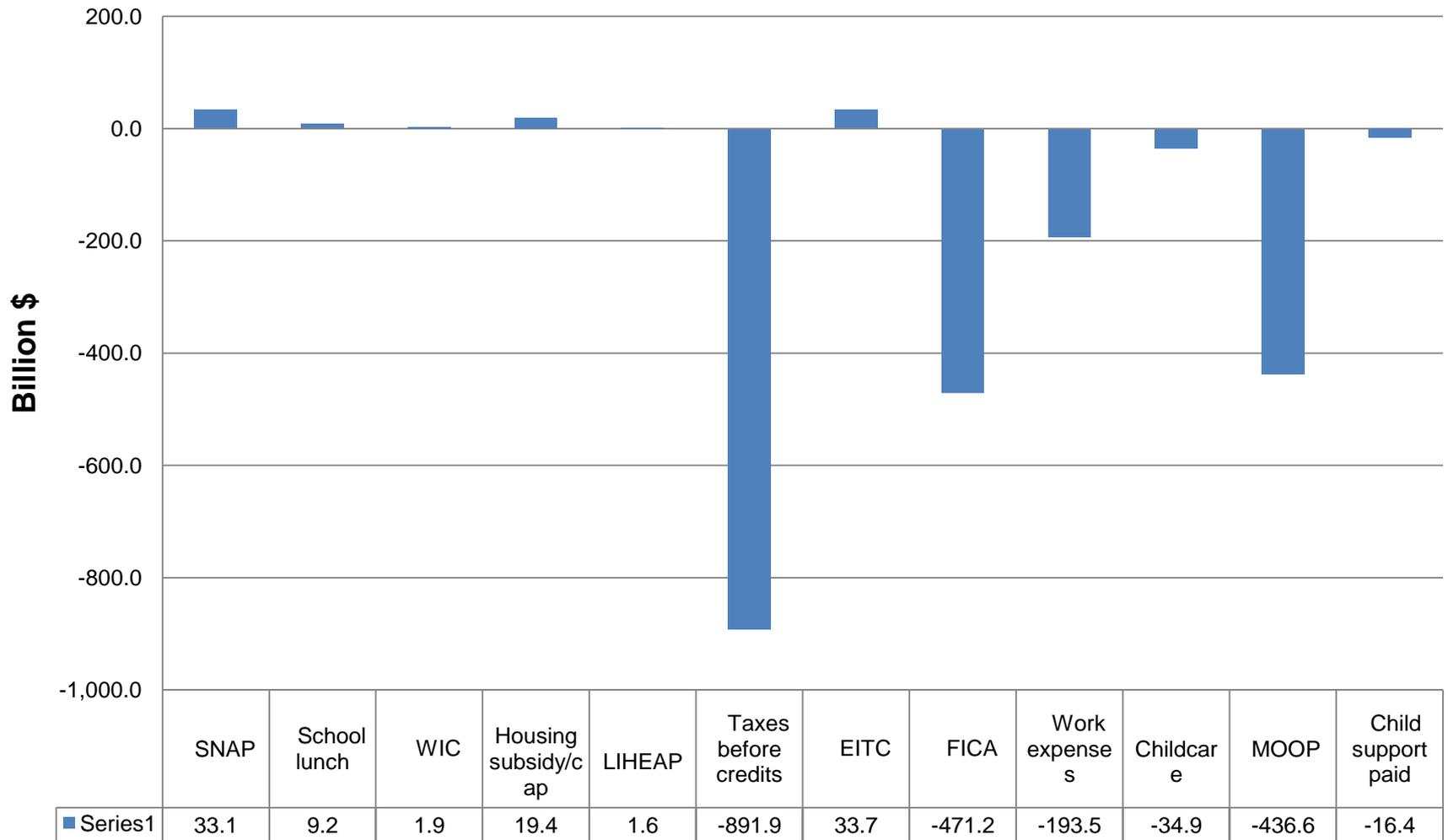
Child Support Paid

- Use data from new CPS ASEC questions to subtract child support paid from income

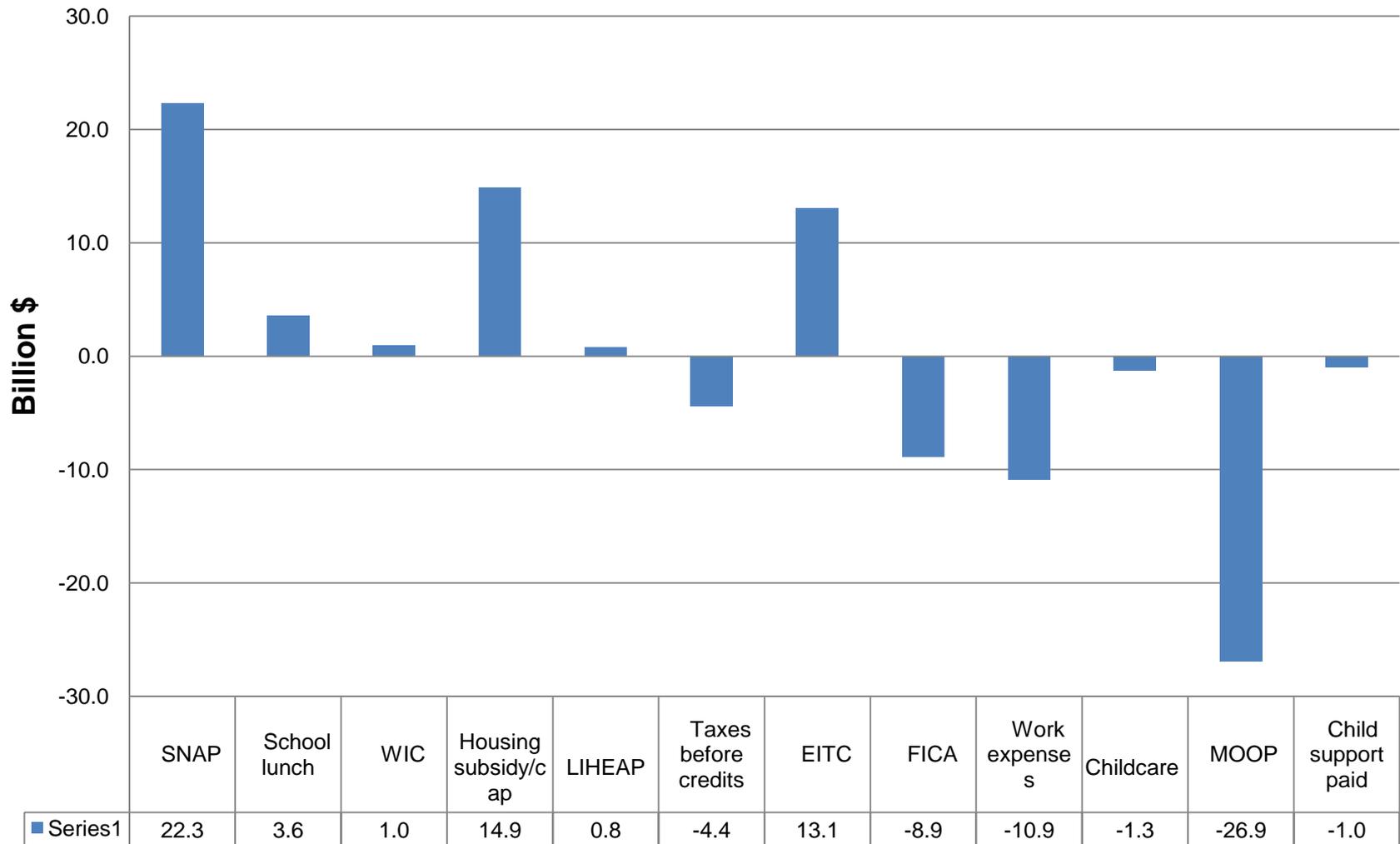
Supplemental Poverty Measure (SPM) differs from Census experimental measures

- Separate thresholds for homeowners with mortgage, homeowners without a mortgage and renters
- Estimation sample for thresholds – families with two children rather than two adult/two child families at 33rd percentile of FCSU
- Use the new CPS ASEC questions to adjust income
 - Child support paid
 - Child care paid
 - Medical out of pocket expenditures
- Geographic adjustments based on ACS and using specific metropolitan areas
- New method for valuing housing subsidies

Additions and Subtractions: All SPM Family Groups



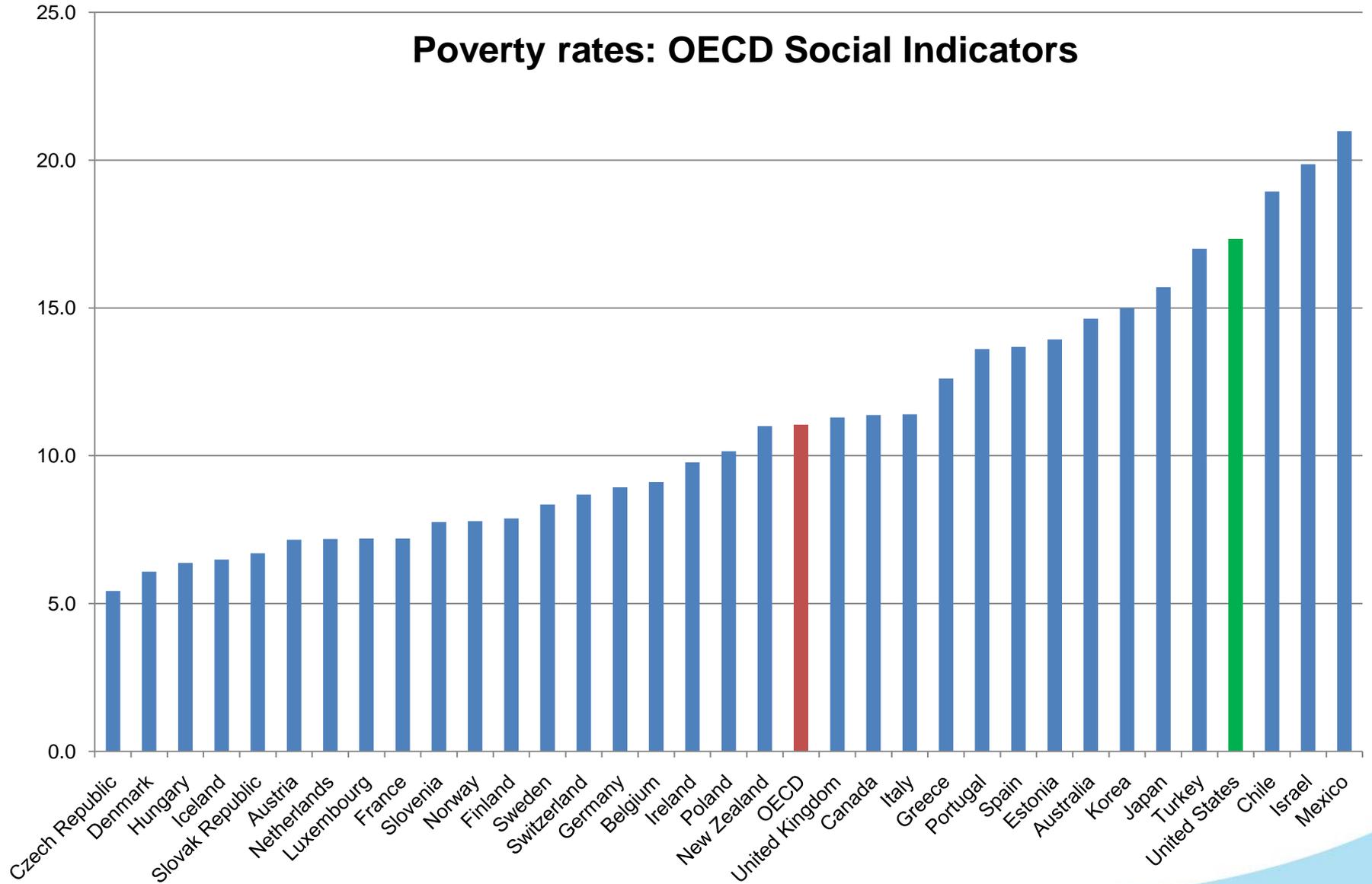
Additions and Subtractions: Poor*



Third Poverty Measure

- Relative poverty measure (OECD)
- Unit of analysis = household
- Equivalence scale = square root of household size
- Disposable income = $Y - t$
- Threshold = 50% of median equivalised household disposable income

Poverty rates: OECD Social Indicators

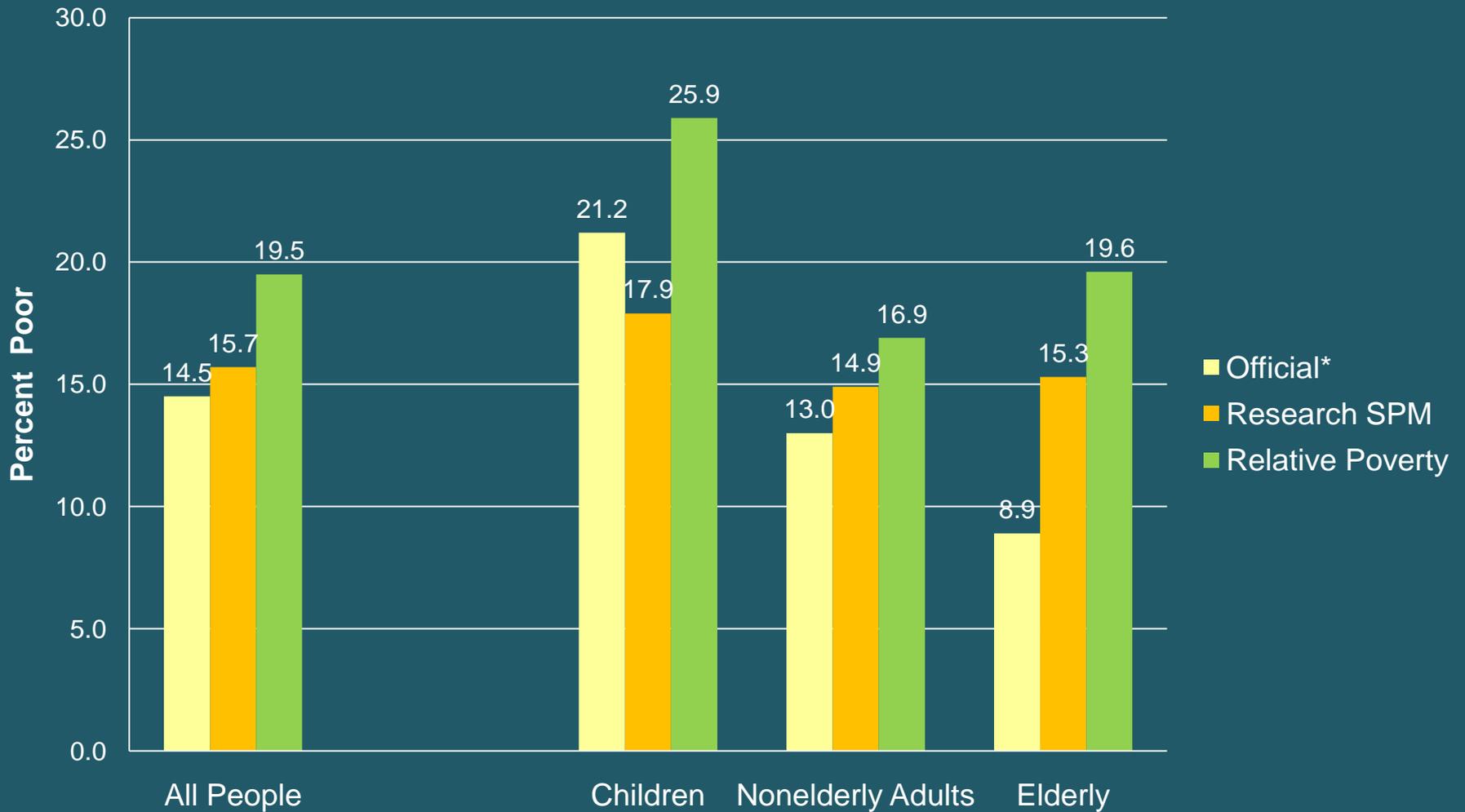


Thresholds

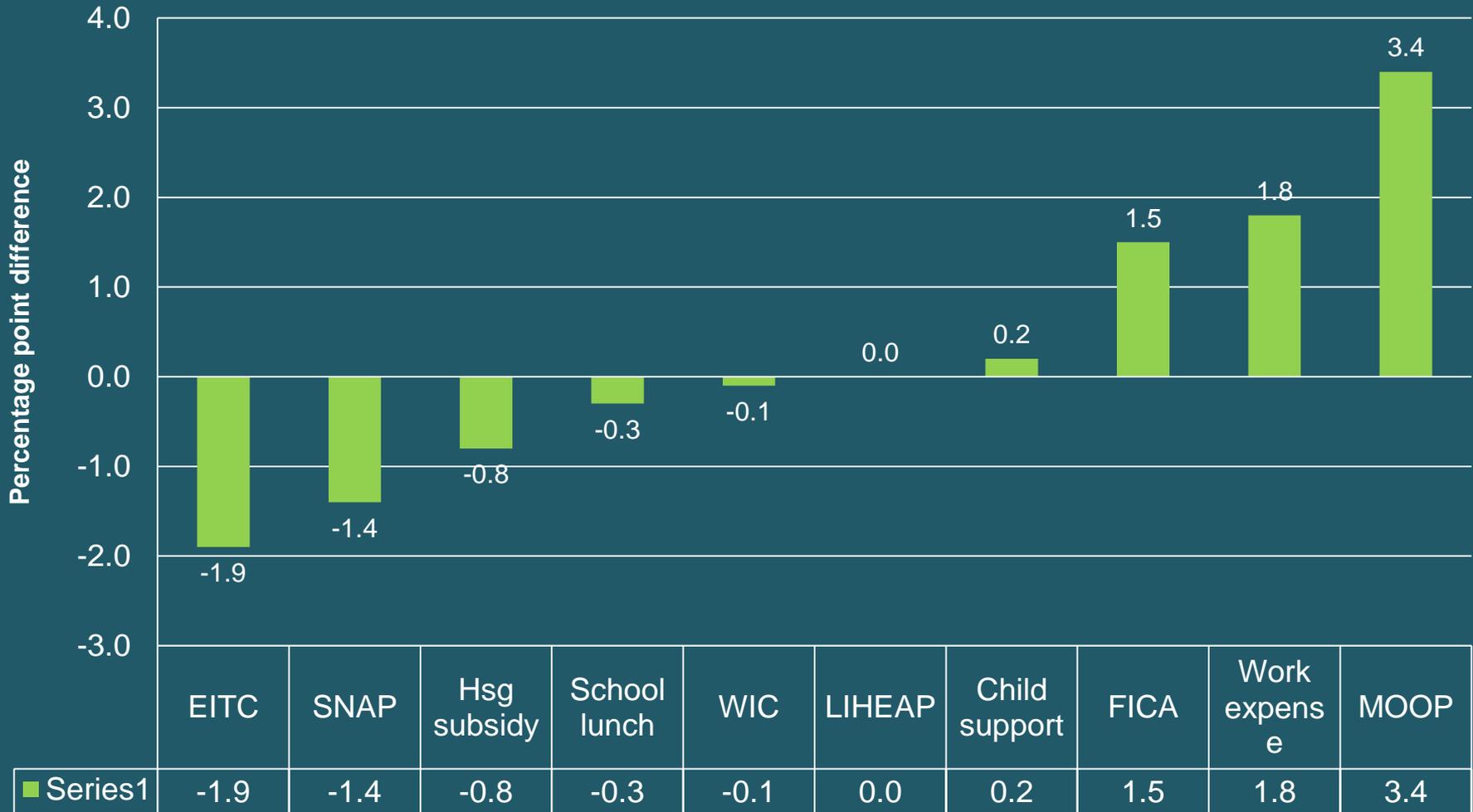
Two Adult and Two Child Unit

- Official \$21,756
- Relative \$28,901
- SPM
 - Owner with mortgage \$24,695
 - Owner free and clear \$20,481
 - Renter \$24,364

Poverty Rates Using Three Measures Total and by Age Group: 2009



Difference in Percent Below SPM Threshold After Including Each Element

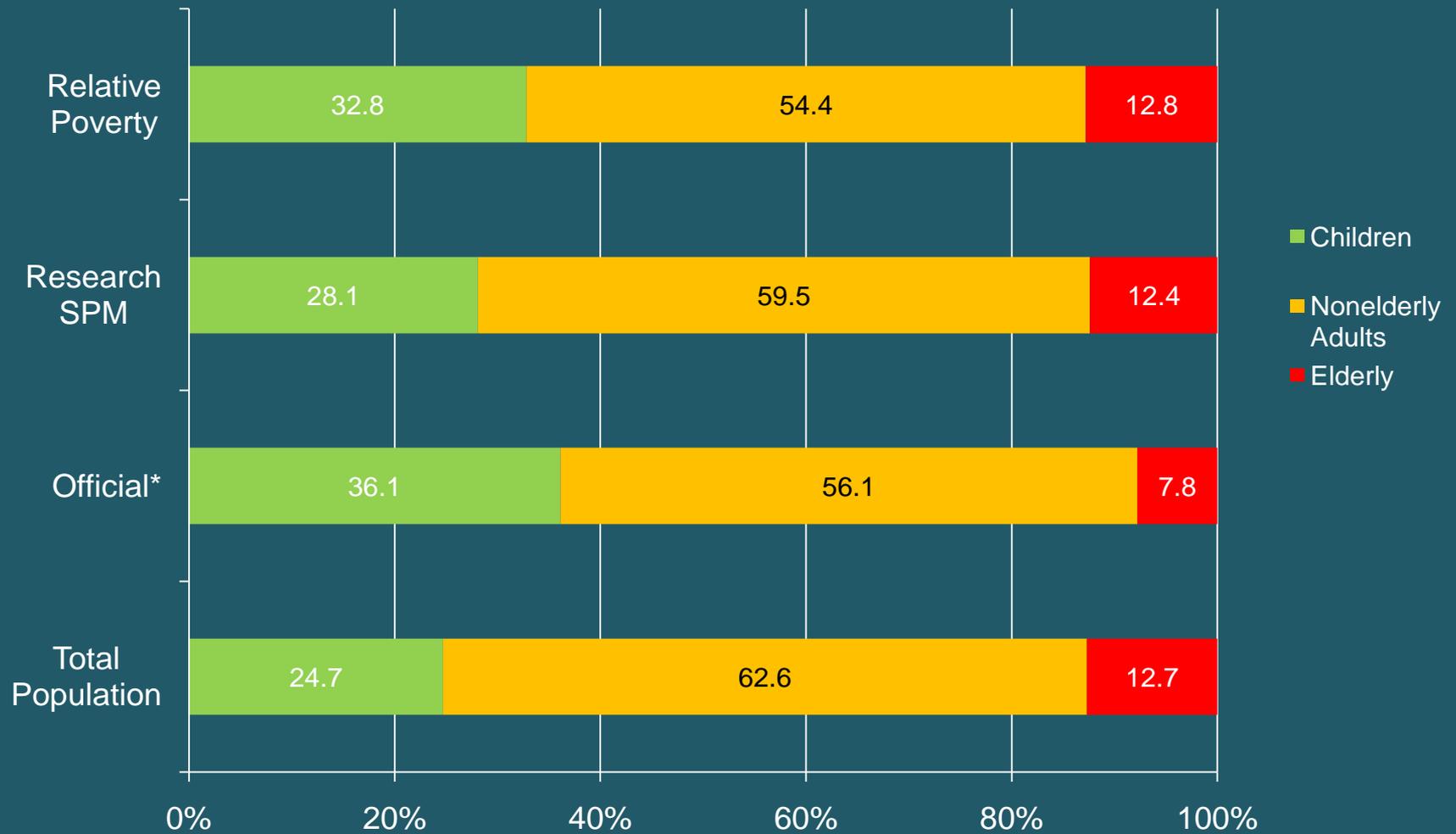


Difference in Percent Below SPM Threshold After Including Each Element: CHILDREN AND ELDERLY

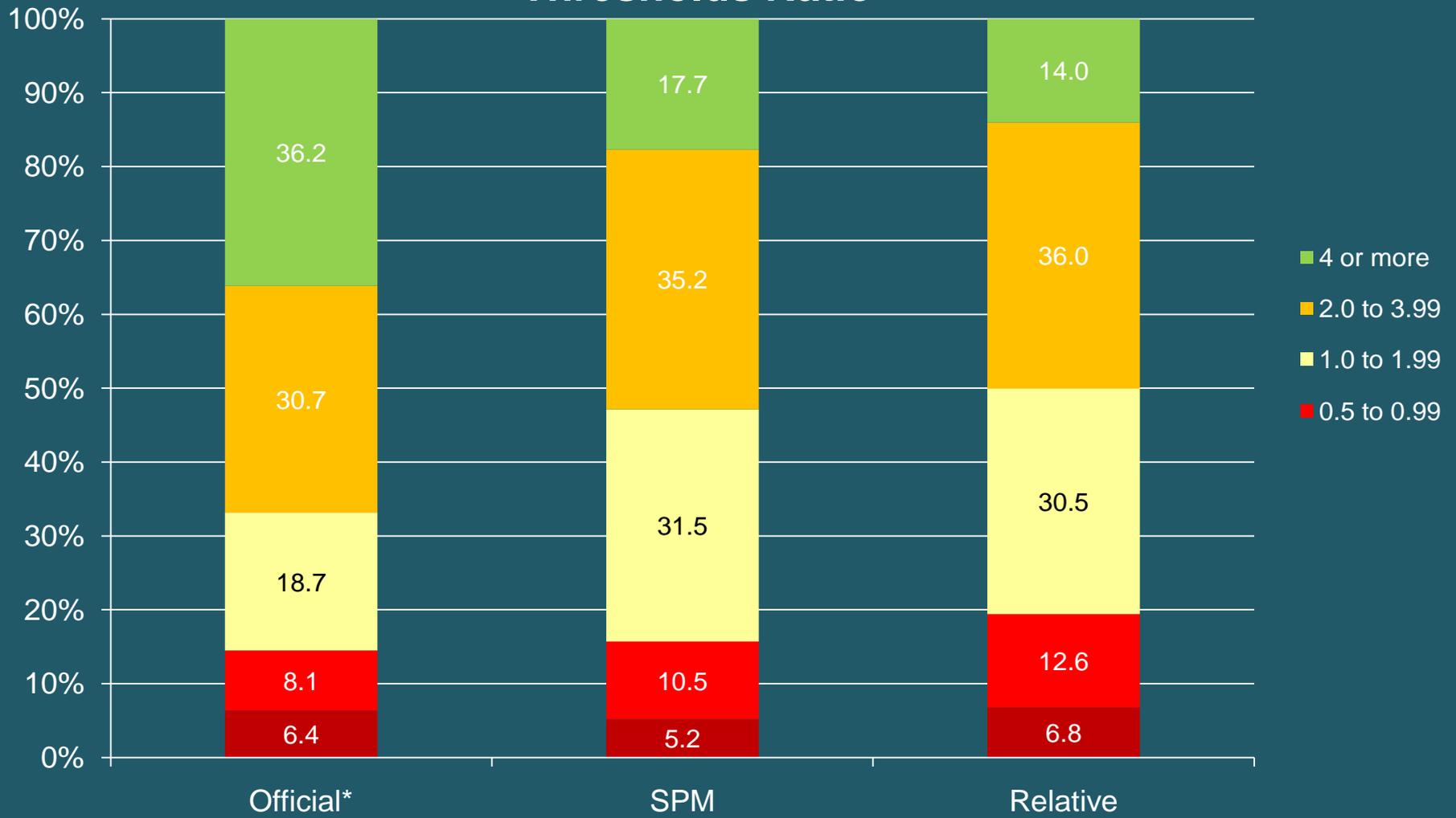


	EITC	SNAP	Hsg subsidy	School lunch	WIC	LIHEAP	Child support	FICA	Work expense	MOOP
■ Children	-4.0	-2.8	-1.3	-0.8	-0.2	0.0	0.2	2.0	2.4	3.0
■ Elderly	-0.2	-0.7	-1.1	-0.1	0.0	-0.1	0.0	0.3	0.3	6.9

Composition of Total and Poverty Population by Age



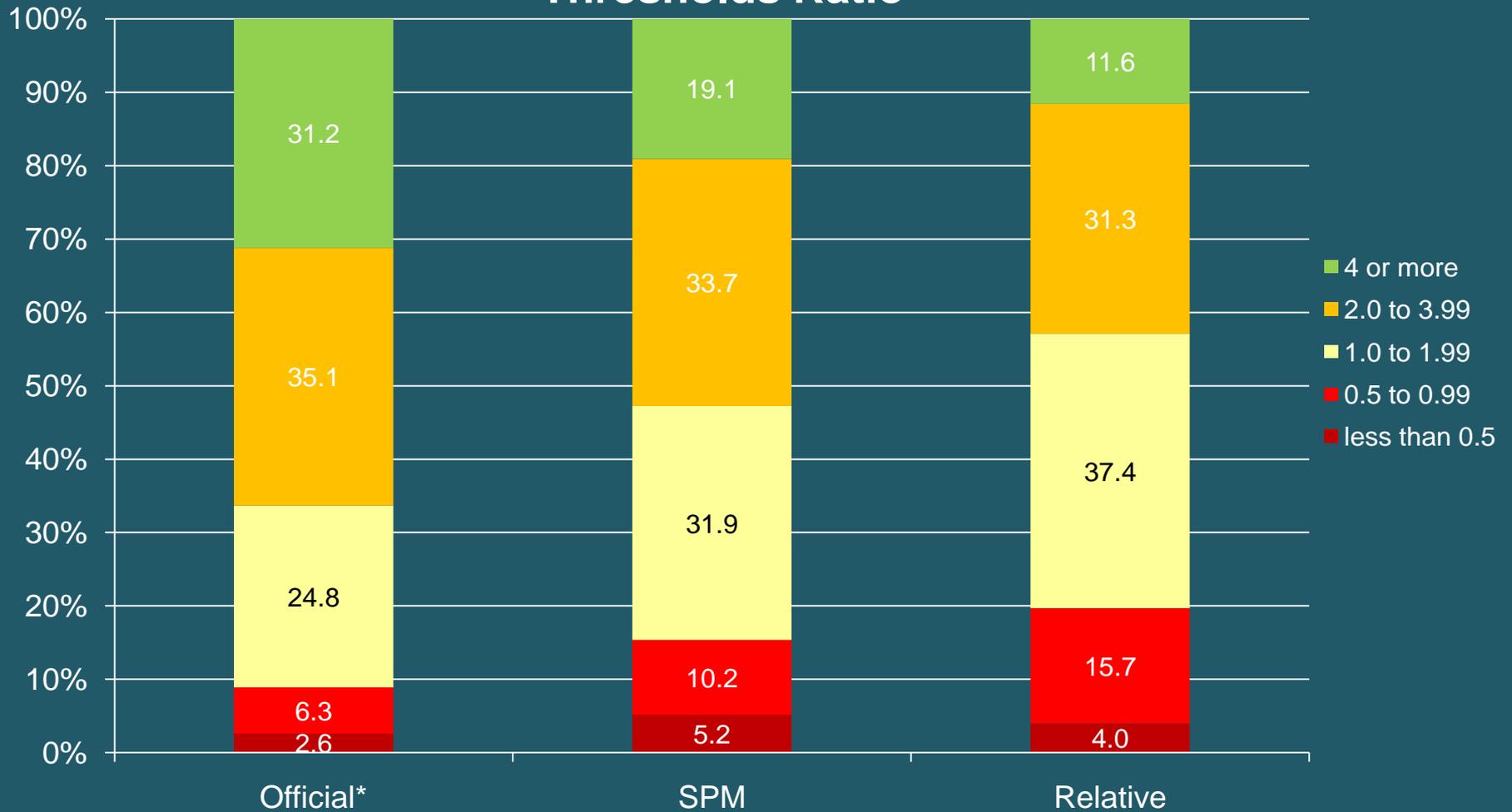
Distribution of People by Income/Resources to Poverty Thresholds Ratio



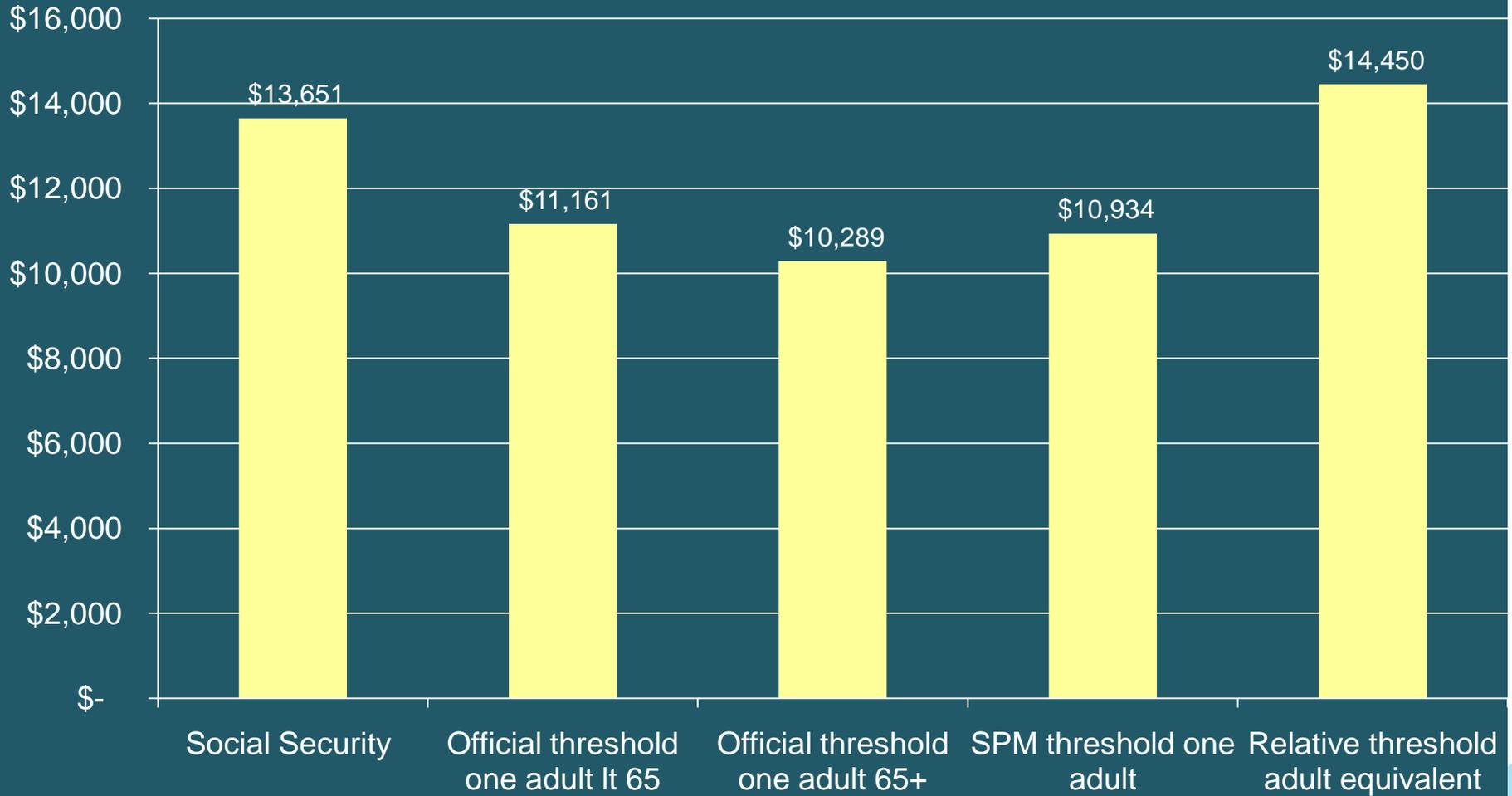
Distribution of Children by Income/Resources to Poverty Thresholds Ratio



Distribution of Elderly by Income/Resources to Poverty Thresholds Ratio



Mean amounts for one adult



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