The Research Supplemental Poverty Measure: 2010

BROOKINGS/CENSUS BUREAU MEETING
ON IMPROVED POVERTY MEASUREMENT
November 7, 2011
Official Poverty Measure

• First adopted in 1969

• Continues under OMB Statistical Directive 14

• The 2010 official poverty rate for the nation was 15.1 percent

• Up from 14.3 percent in 2009

• 46.2 million people in poverty

• An increase of 2.6 million since 2009.
Supplemental Poverty Measure (SPM)

Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure (ITWG) - 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
– Continued research and improvement
– Based on National Academy of Sciences expert panel recommendations in Measuring Poverty: A New Approach (Citro and Michael, 1995)
Supplemental Poverty Measure (SPM) Differs from Official Poverty Measure

- **Unit of analysis**
  - Families plus unrelated children (foster children) and cohabiting partners and their children

- **Threshold differences**
  - Based on spending from 5 years of Consumer Expenditure data for food, clothing, shelter, and utilities (FCSU)
  - Equivalence scales to adjust for family size
  - Separate thresholds by housing status
    - renters
    - owners with a mortgage
    - owners without a mortgage
  - Geographic adjustments based on American Community Survey data on rent paid using specific metropolitan areas
Official and Research SPM Thresholds for 2 Adults and 2 Children Economic Units: 2009 and 2010

Supplemental Poverty Thresholds

- Official:
  - 2009: $21,756
  - 2010: $22,113

- Overall:
  - 2009: $23,854
  - 2010: $24,343

- Owners with mortgages:
  - 2009: $24,450
  - 2010: $25,018

- Owners without mortgages:
  - 2009: $20,298
  - 2010: $20,590

- Renters:
  - 2009: $23,874
  - 2010: $24,391
Income/Resource Definition

**Official**

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

**Supplemental**

- Gross money income:
- **PLUS** value of near-money federal in-kind benefits for FCSU
  - SNAP, school lunch, WIC
  - Housing subsidies
  - LIHEAP
  - Tax credits (EITC)
- **MINUS** income and payroll taxes and other nondiscretionary expenses
Nondiscretionary Expenses

**Payroll and state and federal income taxes**
- Current methods to calculate federal and state income tax, payroll tax
- Add tax credits such as EITC

**Medical Out of Pocket Expenditures (MOOP)**
- New CPS ASEC questions

**Child care and other work related expenses**
- New CPS ASEC questions on child care expenses paid
- SIPP for other expenses

**Child Support Paid**
- New CPS ASEC questions to subtract child support paid from income
Comparing SPM and Official Poverty Rates

• Many moving parts to consider
• Initial starting point of cash income
• Thresholds
  – Higher on average
  – Housing status
  – Geographic adjustments
• Resources
  – Effective benefits
  – Effective expenses
Poverty rates for all people and by age group: 2010

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Official**</th>
<th>SPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>All People</td>
<td>15.2</td>
<td>16.0</td>
</tr>
<tr>
<td>Under 18 years</td>
<td>22.5</td>
<td>18.2</td>
</tr>
<tr>
<td>18 to 64 years</td>
<td>13.7</td>
<td>15.2</td>
</tr>
<tr>
<td>65 years and older</td>
<td>9.0</td>
<td>15.9</td>
</tr>
</tbody>
</table>

**Includes unrelated individuals under age 15.
Poverty rates by race and ethnicity: 2010

<table>
<thead>
<tr>
<th></th>
<th>Official**</th>
<th>SPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>White, not Hispanic</td>
<td>10.0</td>
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<tr>
<td>Black</td>
<td>27.5</td>
<td>25.4</td>
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<tr>
<td>Asian</td>
<td>12.1</td>
<td>16.7</td>
</tr>
<tr>
<td>Hispanic (any race)</td>
<td>26.7</td>
<td>28.2</td>
</tr>
</tbody>
</table>

**Includes unrelated individuals under age 15.

Poverty Rates

• For most groups, SPM rates are higher than official poverty rates
• The SPM shows lower poverty rates for
  – Children
  – Individuals included in new SPM resource units
  – Blacks
  – Renters
  – Individuals living outside metropolitan areas
  – Individuals living in the Midwest and the South
  – Individuals covered by only public health insurance
• Official and SPM poverty rates for people in female householder units and the native born are not statistically different
Composition of total and poverty populations by residence: 2010

** Includes unrelated individuals under age 15
Composition of total and poverty populations by region: 2010

** Includes unrelated individuals under age 15
Difference in SPM rate after including each element: 2010

<table>
<thead>
<tr>
<th>Element</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>EITC</td>
<td>-2.0</td>
</tr>
<tr>
<td>SNAP</td>
<td>-1.6</td>
</tr>
<tr>
<td>Hsg subsidy</td>
<td>-0.9</td>
</tr>
<tr>
<td>School lunch</td>
<td>-0.3</td>
</tr>
<tr>
<td>WIC</td>
<td>-0.1</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>-0.1</td>
</tr>
<tr>
<td>Child support</td>
<td>0.2</td>
</tr>
<tr>
<td>Federal income tax</td>
<td>0.5</td>
</tr>
<tr>
<td>FICA</td>
<td>1.5</td>
</tr>
<tr>
<td>Work expense</td>
<td>1.5</td>
</tr>
<tr>
<td>MOOP</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Difference in SPM rate after including each element for two age groups: 2010

<table>
<thead>
<tr>
<th></th>
<th>Under 18 years</th>
<th>65 years and older</th>
</tr>
</thead>
<tbody>
<tr>
<td>EITC</td>
<td>-4.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>SNAP</td>
<td>-3.0</td>
<td>-0.8</td>
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<tr>
<td>Hsg subsidy</td>
<td>-1.3</td>
<td>-1.2</td>
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<tr>
<td>School lunch</td>
<td>-0.8</td>
<td>0.0</td>
</tr>
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<td>0.0</td>
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<td>0.2</td>
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<td>2.8</td>
<td>7.3</td>
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</table>
** Distribution of People by Ratio of Resources to Poverty**

**Threshold: 2010**

- **35.8%** in the category of 4 or more
- **30.2%** in the category of 2.0 to 3.99
- **18.8%** in the category of 1.0 to 1.99
- **8.4%** in the category of 0.5 to 0.99
- **6.8%** in the category of less than 0.5

** Distribution of People Under Age 18 by Ratio of Resources to Poverty Threshold: 2010

** Includes unrelated individuals under age 15.

** Distribution of People 65 Years of Age and Over by Ratio of Resources to Poverty Threshold: 2010

- 4 or more
- 2.0 to 3.99
- 1.0 to 1.99
- 0.5 to 0.99
- less than 0.5

** Includes unrelated individuals under age 15.
Difference in SPM rate after including each element: 2009 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
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<tr>
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<td>-1.5</td>
<td>-1.6</td>
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SPM rates for all people and by age group: 2009 and 2010

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SPM: 2009 to 2010

- In 2010 SPM rate rose to 16.0 percent from 15.3 percent in 2009
- The number poor rose from 46.5 million in 2009 to 49.1 million in 2010
- Between the two years, poverty rates increased for all groups except for these (no statistically significant change from 2009):
  - 65 years of age and over
  - In married couple, male householder, and new SPM units
  - Asians and Hispanics
  - Foreign born
  - Homeowners with and without mortgages
  - Residing outside MSAs
  - In the West
  - No health insurance
- Poverty rates did not decrease for any group we examined
SPM and Official: 2009 to 2010

- Changes in SPM rates were not different from changes in official rates for most groups, except the following:
  - Homeowners with no mortgage
  - Renters
  - With private health insurance
  - Living in the South

- Among other things, these differences reflect the different changes in SPM thresholds by housing status between 2009 and 2010.
Summary

• SPM rates were higher than official poverty rates in 2010, overall and for most groups
• A few groups had lower rates
  – New economic unit
  – Received more In-kind benefits
  – Lived where housing costs were low
  – Owned home with no mortgage
• Changes in SPM rates from 2009 to 2010 are not different from the change in official poverty rates for the same time period, for most groups examined.

• Resource-to-poverty threshold ratio categories more concentrated in middle groups
  – In-kind benefits reduce share in lowest group
  – Expenses reduce share in highest income group
  – Percent of the population in ‘extreme poverty’ is lower for most groups
Next steps

• Continue research on SPM
  – Measurement of the poverty thresholds
  – Geographic adjustments
  – Collection and valuation of necessary expenses, such as medical and commuting expenses
  – Adjustments for under-reporting of benefits, expenses, and the sources of cash income

• Consider production of public use micro-data

• Consider earlier release date to coincide with release of official measure