

Copy to Jeanne
Lambrew NEC

Jeanne - Note Figure 12
measures taking into
account out of pocket
medical expenditures

income
poverty
among
elderly -

Cynthia

Experimental Poverty Measures: 1990 - 1997 P-60 No. 205

Embargoed until release July 7, 1999

No press release or press briefing

Kathleen Short, Thesia Garner, David Johnson, & Patricia Doyle

June 14, 1999

Will update for 1998 and put ~~report~~ out on
internet (not an official rpt)

2nd rpt next spring using updated
data and using SIPP
rather than CPS

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Measuring Poverty

- **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 March Current Population Survey (CPS)
- **Does not account for**
 - Provision of near-money benefits (*FS, housing subsidies*)
 - Necessary expenses (taxes, health care, work)
 - Higher standards and levels of living since 1965
 - Geographic price differences among regions

Previous Work

- 1969 Revision of Poverty Thresholds
- 1971-72 Technical Committee on Poverty Statistics
- 1973 Interagency Subcommittees on Cash Income, on Non-Cash Income, and on Updating the Poverty Threshold
- 1976 Poverty Studies Task Force under HEW
- 1980 Expanded content of CPS to include in-kind benefits
- 1982 Census Bureau published first experimental poverty measures
- 1993 Congressional funding of National Academy of Sciences (NAS) Panel on Poverty and Family Assistance

National Academy of Sciences

Panel on Poverty and Family Assistance

- May 1995 report
 - Sponsored by Department of Health and Human Services, Bureau of Labor Statistics, and Census Bureau
- Family Resource Recommendations
 - Additions: food stamps, school lunches, subsidized housing, heating assistance
 - Subtractions: taxes, work-related and medical out-of-pocket expenses (MOOP)
- Poverty Threshold Recommendations
 - Dollar amount for food, clothing, shelter, utilities, and a small additional amount for other needs
 - Equivalence scale changes
 - Geographic adjustment for cost of living
 - Updated using Consumer Expenditure Survey (CEX) data
- Data Base Recommendations
 - Use the Survey of Income and Program Participation (SIPP)

This Report

- OMB interagency committee requested research and development
- Presents illustrative measures to inform public debate on issues
- Still based on CPS
 - Requires complex statistical procedures to account for lack of data
 - Underreporting of income items
- Describes next steps -- using SIPP
 - An income survey
 - Wide range of information

Report Structure

- I. Executive summary
- II. Background material
- III. Alternative ways of modifying each element of the definition one at a time
- IV. Several complete alternative measures
- V. Data issues
- VI. Future research
- VII. Technical Appendixes

Section III: Individual Elements of a Poverty Measure

- Present each element simply
- Illustrate modifications
- Show effects of new approaches, overall and on different groups
- Discuss relevant issues

Thresholds

Figure 1: Poverty Rates Using Experimental Thresholds 1997

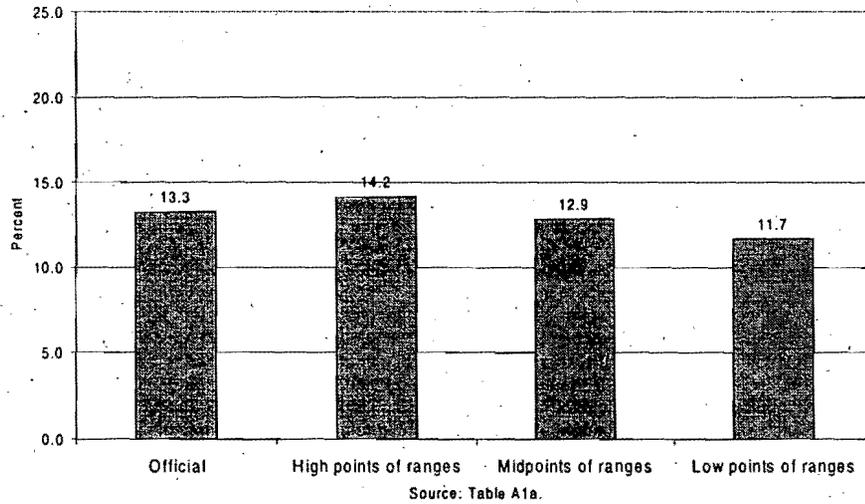


Figure 3: Poverty Rates With and Without a Geographic Adjustment 1997

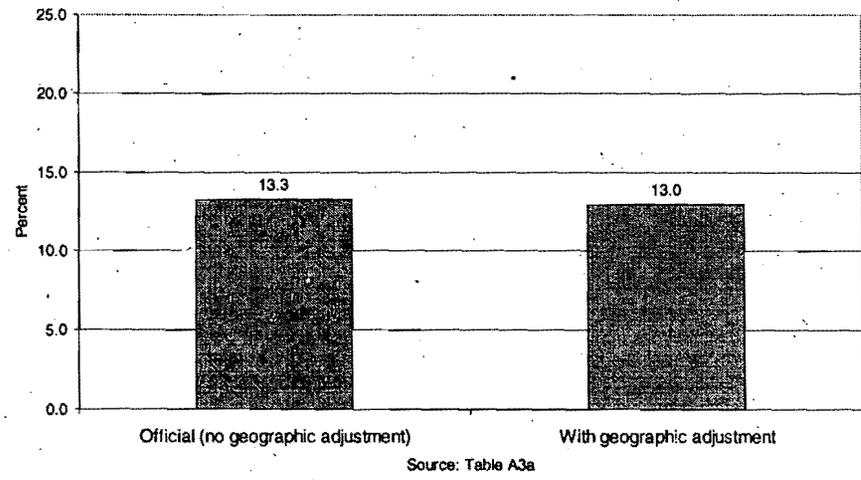
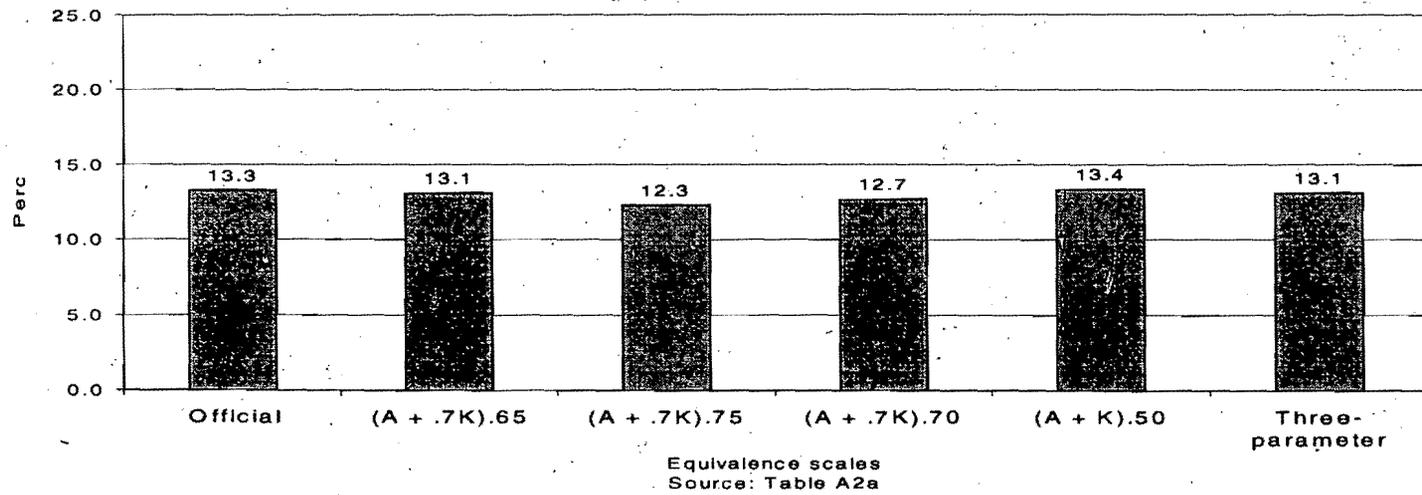


Figure 2: Poverty Rates Using Alternative Equivalence Scales (family sizes) 1997



Income/Resources

Figure 4: Poverty Rates Adding Food Stamps and School Lunches 1997

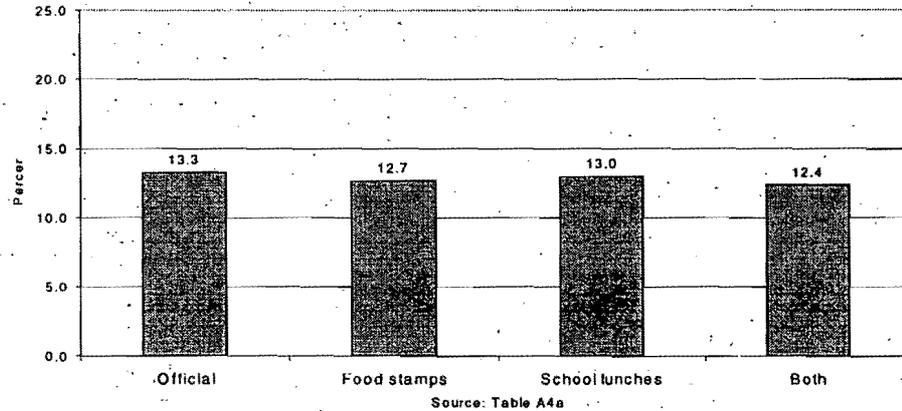


Figure 5: Poverty Rates Adding Housing Subsidies and Heating Assistance 1997

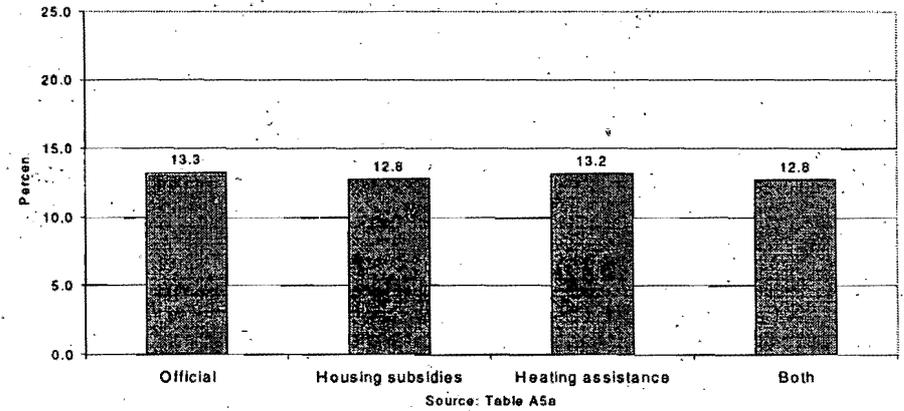


Figure 6: Poverty Rates Using Alternative Valuations of Work-related Expenses 1997

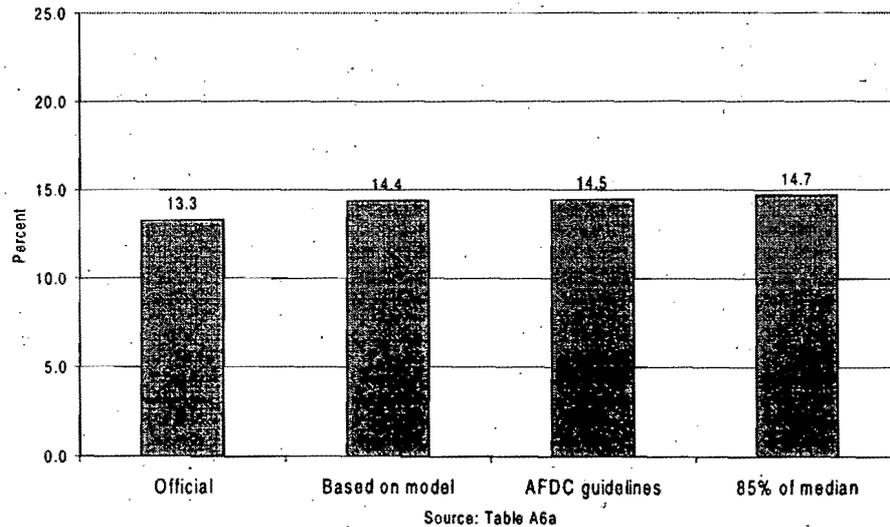
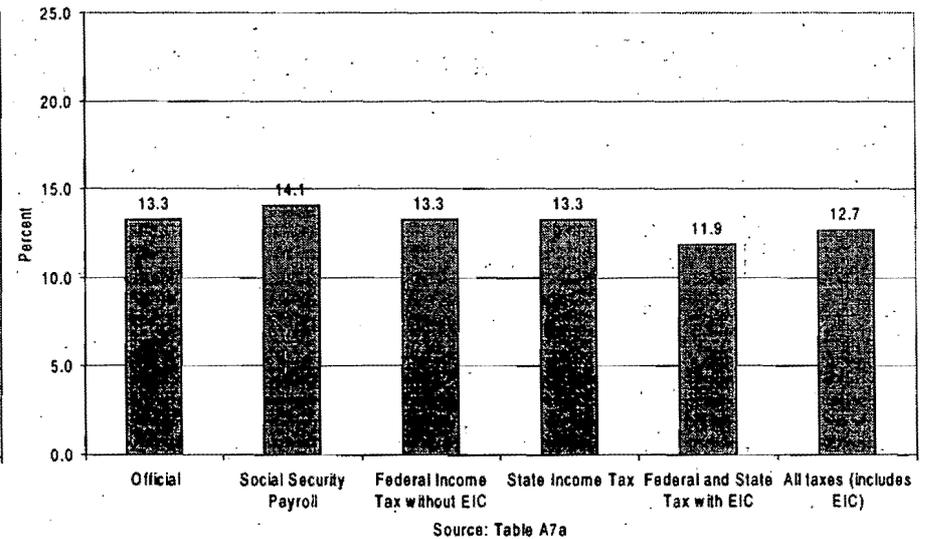
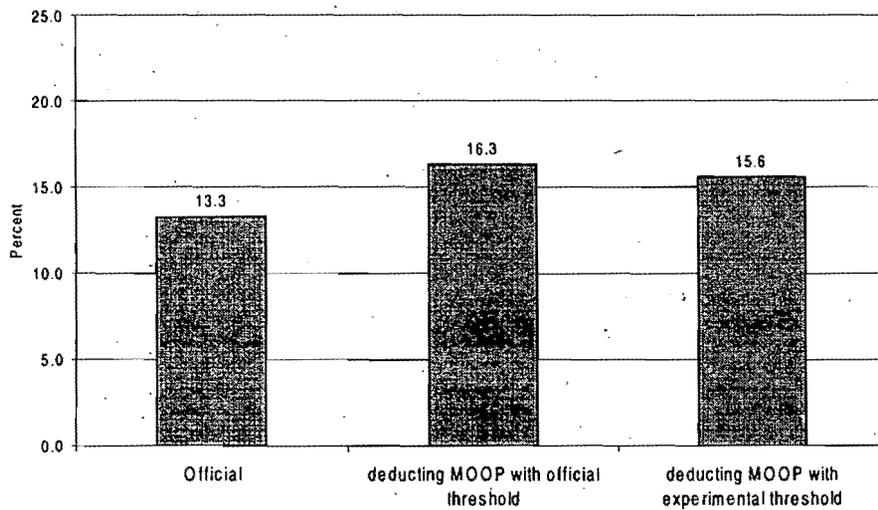


Figure 7: Poverty Rates Taking Account of Taxes 1997



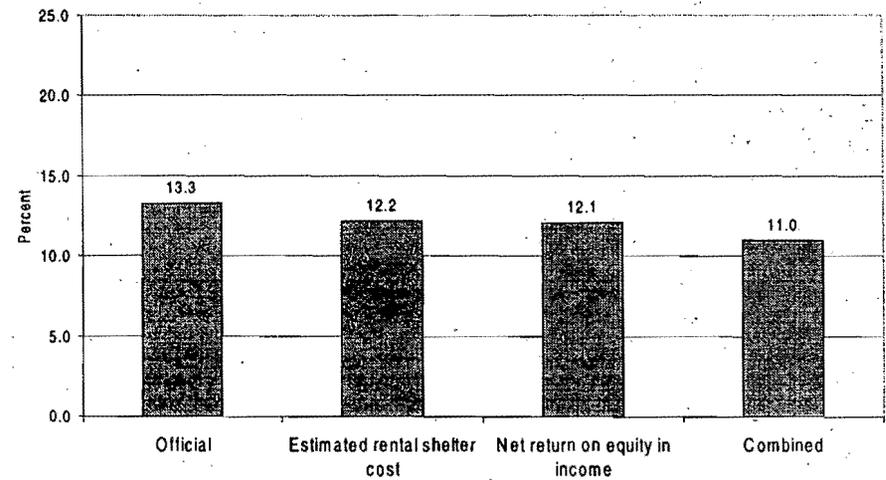
Thresholds and Resources

Figure 9: Poverty Rates Taking Account of Medical Care 1997



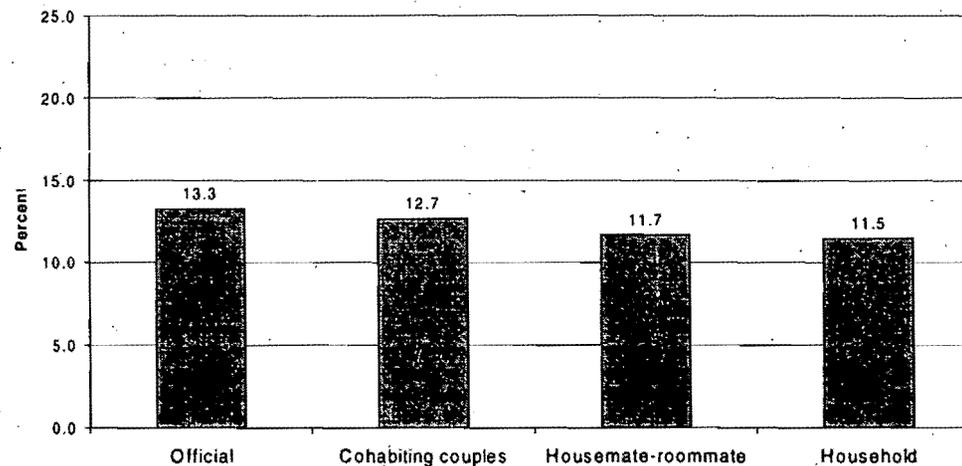
Source: Table A9a

Figure 10: Poverty Rates Taking Account of Owner Occupied Housing 1997



Source: Table A10a

Figure 11: Poverty Rates Using Alternative Units of Analysis 1997



Source: Table A11a

Current measure uses "family" these alternative broader

Section IV:

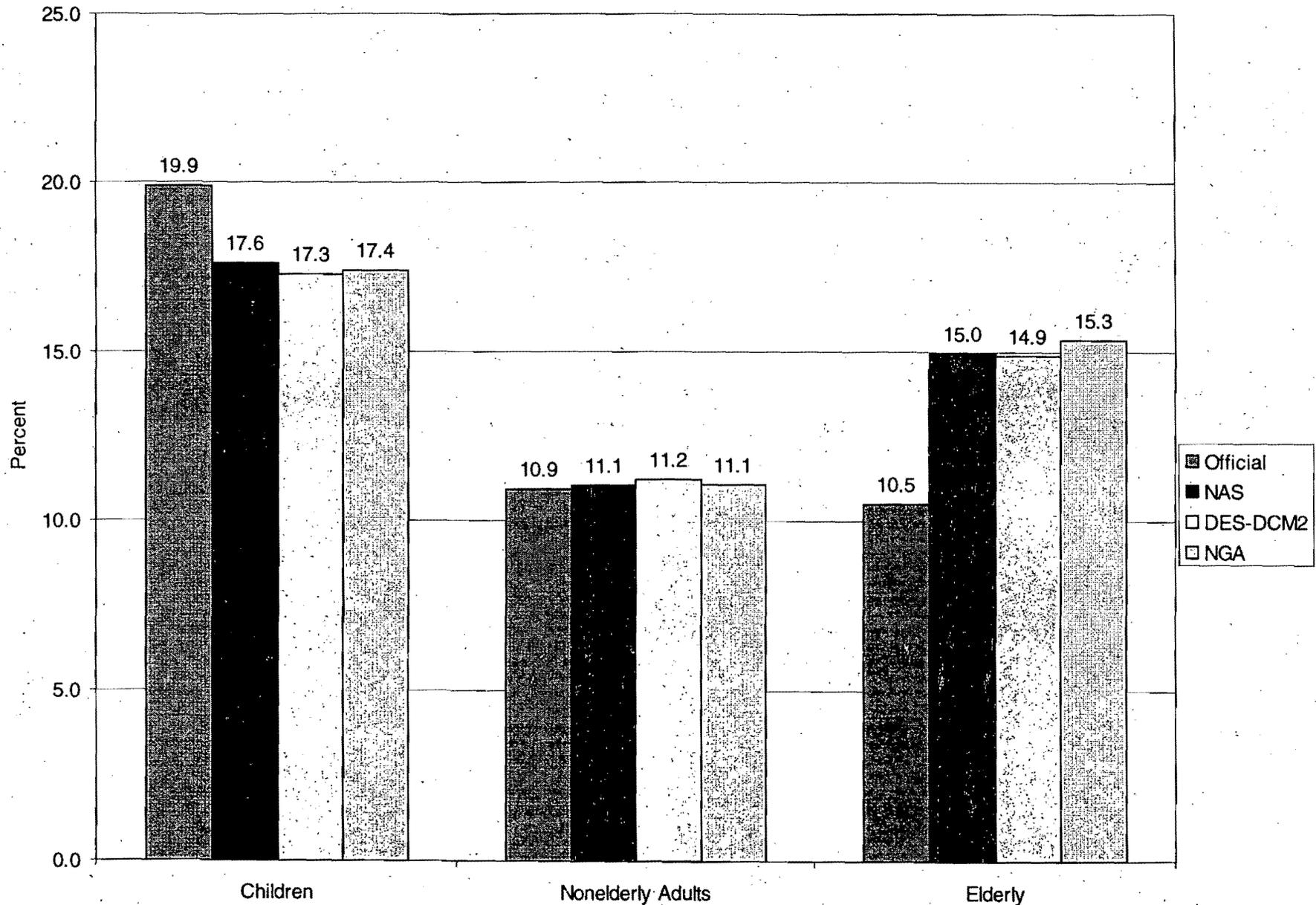
Experimental Poverty Measures

1. NAS - based on NAS panel recommendations
2. DCM1 - different childcare method based on SIPP medians
3. DCM2 - different childcare method based on program guidelines
4. DES-DCM2 - different equivalence scale and different childcare method
(family size differences)
5. NGA - measure #1 with no geographic ajustment
6. DES-DCM2-NGA - measure #4 with no geographic ajustment

For each complete measure --

- Poverty rates by subgroups and detailed characteristics
- Poverty rates standardized to 1997 official rate -- 13.3 percent. (Rates that are not standardized are also shown the report.) *w/o standardizing all subgroup rates are higher*
- Poverty rates over time with thresholds updated with both Consumer Expenditure Survey data and Consumer Price Index (CPI-U)

Figure 12: Standardized Poverty Rates by Age Group 1997



NAS--National Academy of Sciences

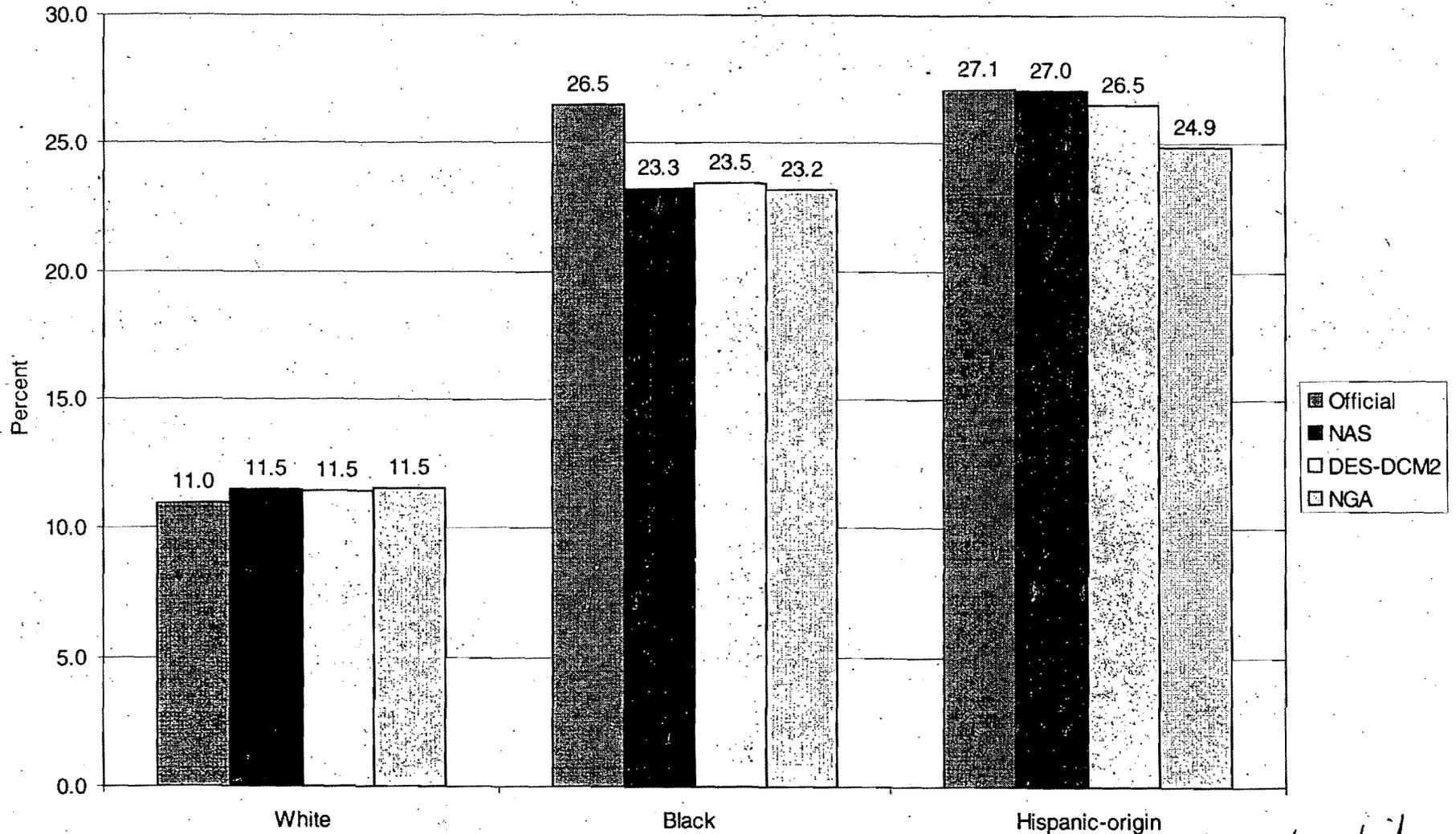
DES-DCM2--Childcare method based on AFDC program allowances and three-parameter equivalence scale

NGA--NAS measure with no geographic adjustment

Source: Table B1

*Takes into account
medical out of pocket costs
health care needs not in
thresholds (only food,
shelter, clothes, utilities)*

Figure 13: Standardized Poverty Rates by Race and Ethnicity 1997



NAS--National Academy of Sciences

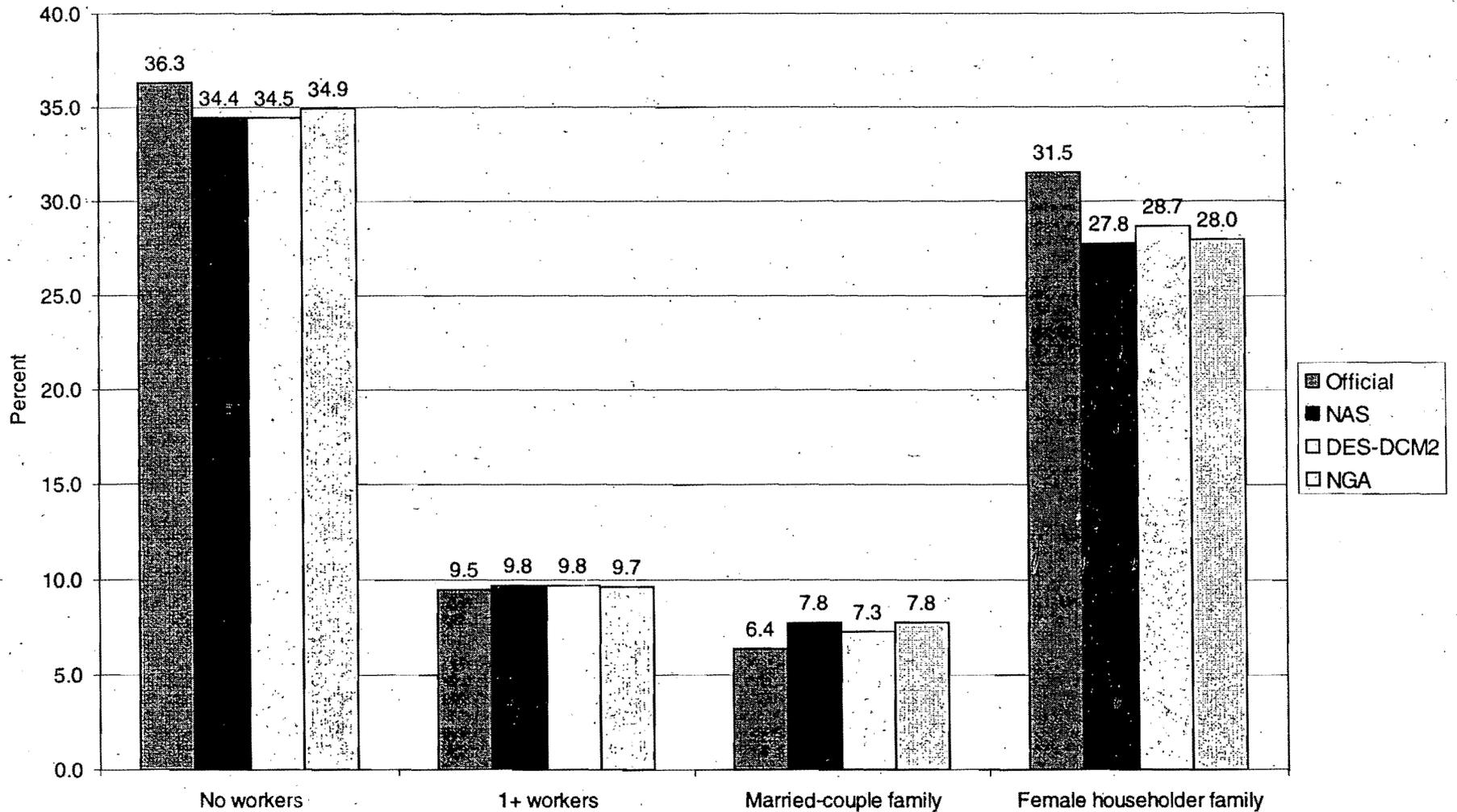
DES-DCM2--Childcare method based on AFDC program allowances and three-parameter equivalence scale

NGA--NAS measure with no geographic adjustment

Source: Table B1

Hispanic-origin
tend to live where costs are higher

Figure 14: Standardized Poverty Rates by Family Type and Number of Workers 1997



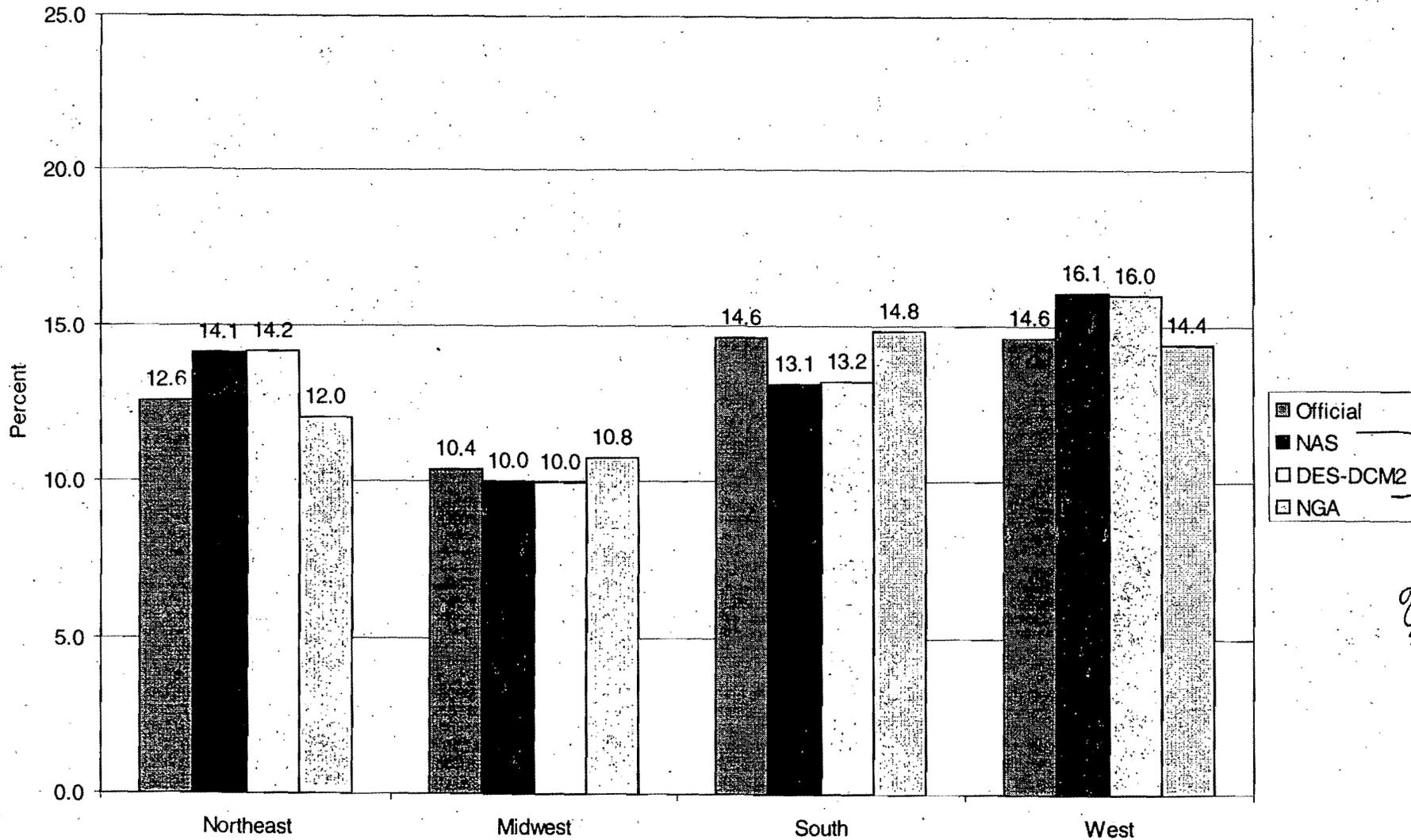
Source: Table B1

NAS--National Academy of Sciences

DES-DCM2--Childcare method based on AFDC program allowances and three-parameter equivalence scale

NGA--NAS measure with no geographic adjustment

Figure 15: Standardized Poverty Rates by Region 1997



geographic adjustment

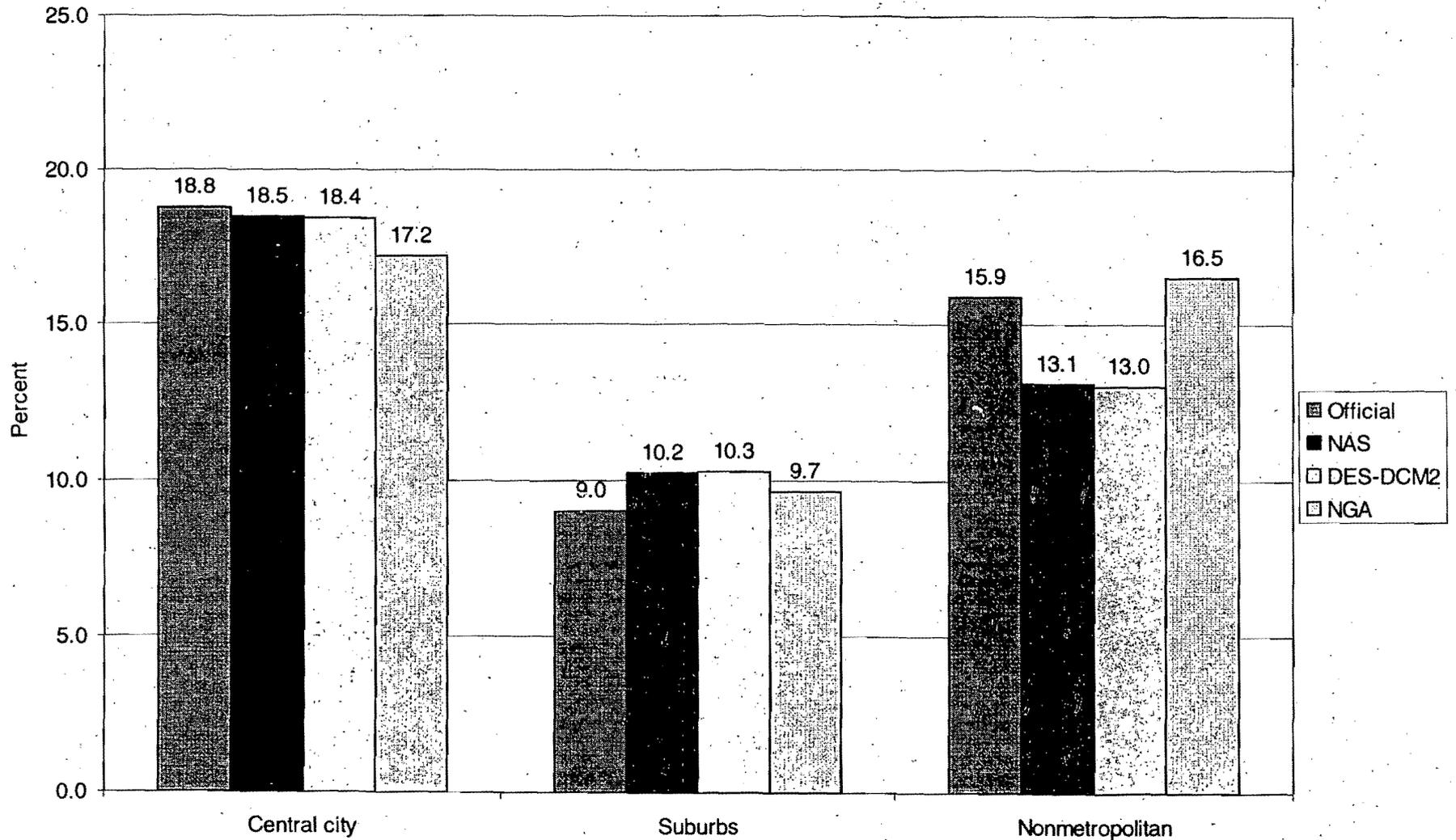
NAS--National Academy of Sciences

Source: Table B1

DES-DCM2--Childcare method based on AFDC program allowances and three-parameter equivalence scale

NGA--NAS measure with no geographic adjustment

Figure 16: Standardized Poverty Rates by Residence 1997



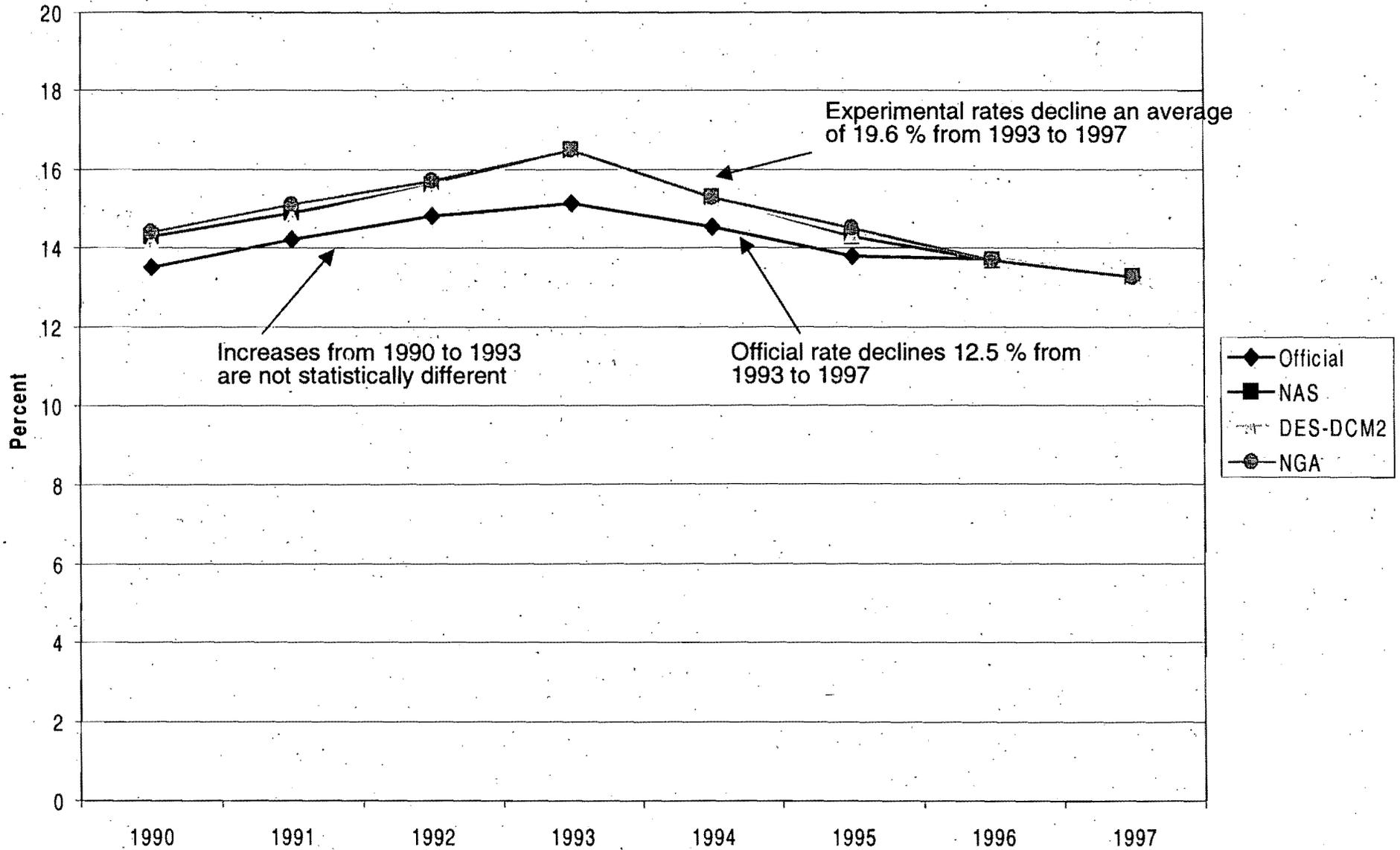
NAS--National Academy of Sciences

Source: Table B1

DES-DCM2--Childcare method based on AFDC program allowances and three-parameter equivalence scale

NGA--NAS measure with no geographic adjustment

**Figure 21: Standardized Poverty Rates with CEX-Based Thresholds
1990 - 1997**



Source: Table B5

Section V: Data Issues

- Move to SIPP
 - Better source of income data
 - Much more information on critical elements in poverty measurement
 - Allows dynamic as well as cross-sectional analyses
 - Requires larger sample size for stable time-series estimates
- Improve CEX for poverty measurement
 - Recommended source for poverty thresholds
 - Requires larger sample size for threshold estimation
- Measuring poverty in other surveys and the decennial census
 - Do not have detail on income
 - Little information on other elements of a comprehensive poverty measure

Section VI: Future Research

- Medical out-of-pocket spending
 - Modeled from 1987 National Medical Expenditure Survey
- Geographic adjustment
 - Based on 1990 census data
- Housing issues
 - Value of housing subsidies uses 1985 American Housing Survey
 - Improve estimation methods to account for owner-occupied housing
- Unit of analysis
 - Research on extent of sharing of resources among non-family members

Release of Public Use File

- Enhanced March 1998 CPS
- SAS and ASCII formats
- Available at Census Bureau web site
- Allows construction of different combined measures and more extensive analysis



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 14, 1999

MEMORANDUM FOR DISTRIBUTION

From: Joseph J. Minarik
Katherine K. Walkman

Subject: Briefing on Experimental Poverty Measures Report

A briefing for EOP policy officials interested in the forthcoming Census Bureau report on alternative experimental poverty measures will be held on Thursday, July 1, from 3:30 to 4:30 p.m. in Room 248 OEOP.

Purpose of the Briefing

During the week of July 5, the Census Bureau plans to publish a report on alternative experimental measures of poverty based on proposals presented in the 1995 National Research Council (NRC) report, *Measuring Poverty: A New Approach*. Because OMB is the statutory arbiter of the "official" poverty measurement methodology, the Census Bureau requested advice on the proposed alternative measures to be published. In turn, OMB sought advice from technical and policy stakeholders. Two working groups were established -- an interagency technical group and an EOP policy group. Based on extensive discussions by both groups, advice and comments about a number of technical and policy issues were conveyed to the Census Bureau. It is important to emphasize that these groups only advised colleagues at the Bureau of the Census. As is always the case, to preserve the fact and perception of the integrity of Federal statistics, the agency determined what would be published. This briefing by Bureau of Labor Statistics and Census Bureau staff members will provide EOP policy officials with information about the structure and analytical results of the experimental poverty measures report.

Background and Implications of Experimental Poverty Measures

The current official poverty measure dates back to the 1960s. Although this measure has been an important contributor to public debate and policymaking, the NRC report reflects a broad consensus that the measure is out-of-date and in need of revision. However, there is no consensus on what the revised definition should be. The release of the Census Bureau report on alternative experimental measures will be a first step in what is expected to be a deliberate, multi-year process of moving toward a new statistical definition of poverty.

Poverty measurement involves two concepts: (1) a definition of family resources, and (2) a "threshold" against which resources are compared to determine if a family is estimated to be poor. Changes to the official statistical definition of these two concepts will have a direct impact on data used by the public for informational and analytical purposes. Changes in the official statistical definition may also have effects on both Federal program budgets and participant eligibility through potential effects on administrative guidelines that are derived from the statistical definitions.

The NRC panel cautioned that setting the level below which a family is considered poor is more of an art than a science. The panel therefore suggested a range of alternatives and left it to policymakers to determine the most appropriate levels. For example, the NRC report shows the implications of the panel's recommendations with and without standardizing the rate (i.e., adjusting the experimental poverty measures so that the aggregate poverty rate under a proposed measure equals the official aggregate poverty rate in a given year). Standardizing the poverty rate reveals that, regardless of where one sets the level of overall estimates of poverty, the types of alternative measures recommended by the NRC would alter the demographic composition of those considered poor. The briefing will highlight the results of work by the Bureau of Labor Statistics and the Census Bureau to refine and demonstrate alternatives recommended by the NRC using 1997 data.

We look forward to seeing you on July 1.

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Experimental Poverty Measures

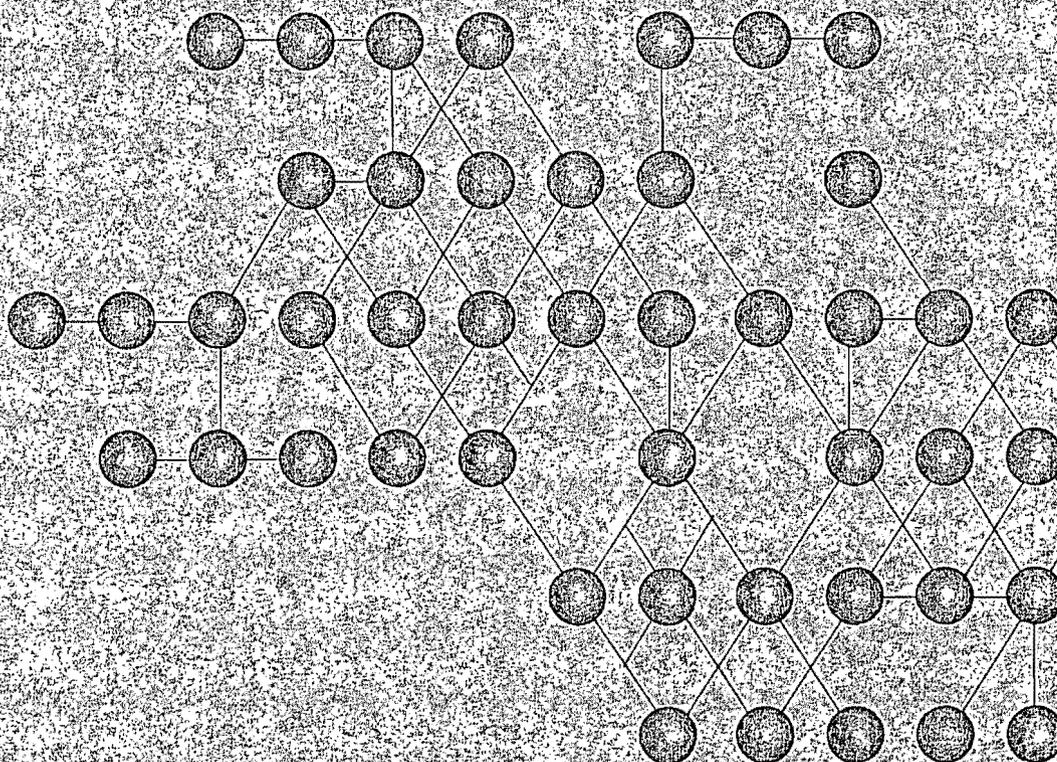
(Embargoed)
'til July 7th
1990
to 1997

Issued June 1999

P60-205

Current Population Reports
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By Kathleen Shoy, Theresa Carter,
David Johnson, and Patricia Boyle



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