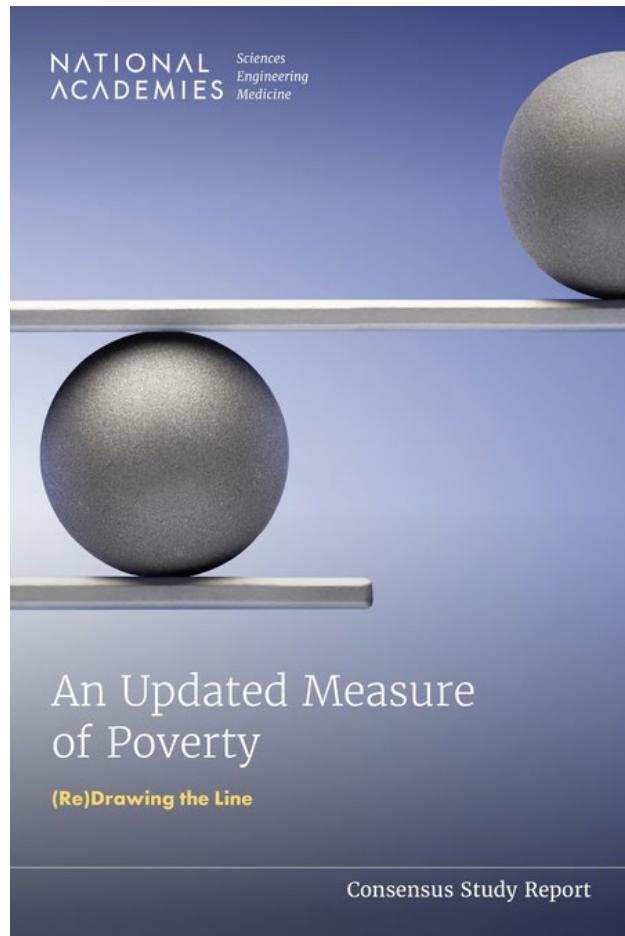COMMITTEE ON NATIONAL STATISTICS

An Updated Measure of Poverty: (Re)Drawing the Line

A Consensus Study Report of

The National Academies of
SCIENCES · ENGINEERING · MEDICINE

Federal Committee on Statistical Methodology
October 26, 2023

An Updated Measure
of Poverty

(Re)Drawing the Line

Consensus Study Report

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Dedication and Acknowledgements

This report is dedicated to the memory of our friend and former Chancellor of the University of Wisconsin-Madison, Rebecca Blank, who passed away on February 17, 2023.

Becky served as review coordinator of the report along with Robert Moffitt.

We thank Robert for his guidance, along with the very detailed and helpful comments of 7 external reviewers on a preliminary draft.

Excerpts from Statement of Task

- Assist the Census Bureau and the Bureau of Labor Statistics to ensure that the SPM is fulfilling its mandate to provide information on aggregate levels of economic need that informs public understanding of economic conditions and trends affecting people with lower incomes.

- Consider modifications that would increase its (SPM) value to policy makers and researchers for the uses to which it is, or potentially could be, applied.

- Review methods for adjusting poverty thresholds, addressing survey quality issues, and assessing the potential role of alternative data sources for poverty measurement purposes.

- Focus of the report is on changes that may be considered for revision cycles beyond 2021.

Report Contents

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2   Conceptual Basis of the Supplemental Poverty Measure

3   Treatment of Medical Care in the Proposed Principal Poverty Measure

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Evolution: OPM → SPM → PPM

Measure	Poverty Threshold	Resources	Unit
OPM	3*Food (1963) • Varies by family size	Income (pre-tax)	Family
SPM	Food, Clothing, Shelter, Utilities, Phone, Internet, and "a little extra" • Varies by SPM family, renters and owners, cost of housing	OPM Income + in-kind benefits + tax credits – medical oop – child support paid – work expenses (includes childcare) – tax payments	SPM Family
PPM	Adds health insurance and childcare as basic needs. Modifies SPM treatment of housing	Modifies SPM treatment of health insurance, childcare, and housing to balance changes to threshold	Household

Big Picture, Ch 2

Recommendation 2.1: Due to its vital role in tracking the effects of public policies and programs on the size and composition of the population living in or near poverty, and its resulting status as the preferred measure of many researchers and policy makers, the Supplemental Poverty Measure should be elevated to the nation's headline poverty statistic and renamed accordingly (e.g., to the Principal Poverty Measure).

Recommendation 2.4: For the Principal Poverty Measure, the set of threshold categories should be expanded beyond the current food, clothing, shelter, utilities, telephone, and internet (FCSUti) to explicitly recognize that minimum basic needs—as well as policies designed to help households meet those needs—have evolved since the establishment of the Supplemental Poverty Measure.
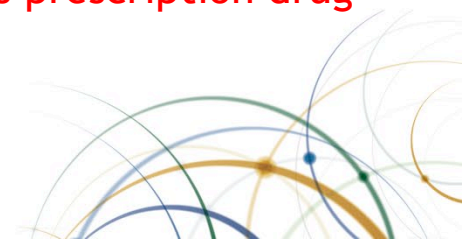
Medical Care, Ch 3

Recommendation 3.1: For the Principal Poverty Measure, the current approach to medical spending in the Supplemental Poverty Measure should be replaced with one that includes health insurance in the estimates of both the needs threshold and resources.

Recommendation 3.2: For individuals under age 65 (excluding those who have Medicare due to disability), the Affordable Care Act (ACA) benchmark health insurance plan should be used to represent the basic health insurance need for a typical American household (or the designated resource-sharing unit for poverty measurement)...

Recommendation 3.3: For the population age 65 and older covered by Medicare, as well as those under 65 who qualify for Medicare based on disability, the basic need level should be set based on the full cost of a Medicare Advantage plan that provides prescription drug coverage...,

Medical Care, Ch 3 cont.

Recommendation 3.4: The definition of resources in the Principal Poverty Measure should include a value for any health insurance benefits or subsidies received from an employer or from the government …This is achieved by capping the value of the transfer that is added to resources at an amount that is less than or equal to the health insurance need that is added to the threshold.

Recommendation 3.5: Medical out-of-pocket spending should be subtracted from resources in the Principal Poverty Measure. For individuals who are not covered by Medicare, this subtraction should be capped at the out-of-pocket maximum for Affordable Care Act Marketplace plans or lower, depending on health insurance status and other household characteristics…

Childcare, Ch 4

Recommendation 4.1: … parents who are in education or training should be treated like parents who are employed, and a parent who is not working and is disabled should not be assumed to be available to provide childcare while the other parent is working or in education/training.

Recommendation 4.2: For households … using paid childcare (paid out of pocket and/or subsidized), a basic childcare need should be included in the threshold. In the near future, the Census Bureau should conduct research to develop and implement a methodology for defining the amount of this basic childcare need, varying by age and number of children, geographic location, and hours of paid care used.

Childcare, Ch 4 cont.

Recommendation 4.3: … for households that have children and that use paid childcare, in the near future, the Census Bureau should research, develop, and implement a methodology for valuing assistance received by the household for childcare, so that it can enter into the calculation of the household's available resources.

Recommendation 4.4: Recognizing that many households with children do not use paid childcare and are providing care for their children themselves, whether through parental care or care by other relatives or friends, future discussion and research are needed on the topic of unpaid childcare and whether and how such care should be reflected in poverty measurement .

Housing/Shelter, Ch. 5

Recommendation 5.1: The Principal Poverty Measure housing thresholds should be set based on shelter costs for renters only. Rental levels should be based on the Department of Housing and Urban Development's annual Fair Market Rent estimates for various shelter unit sizes, ….

Recommendation 5.3: The Principal Poverty Measure should discontinue the practice of maintaining separate thresholds for homeowners with a mortgage, homeowners without a mortgage, and renters.…

Housing/Shelter, Ch. 5 cont.

Recommendation 5.6: For estimating Principal Poverty Measure unit resources, implicit rental income should be included for households that own homes. In the short run, this implicit rental income could be the local Fair Market Rent (FMR) value for the particular family size, minus user costs—implying that implicit rental income will automatically be capped at the housing cost threshold. ….

Recommendation 5.7: Homeowners' user costs in the local area—including mortgage interest payments, property taxes, insurance, and other maintenance expenses—should be netted out of the implicit rental income when estimating Principal Poverty Measure (PPM) unit resources…..

Data and Statistical Issues, Ch. 6

Recommendation 6.1: The Census Bureau should prioritize its work to improve poverty measurement using data from the American Community Survey (ACS) as a springboard to the development of an ACS-based Principal Poverty Measure (PPM) that is released, along with the one-year ACS data, in September of each year.

Recommendation 6.2: The Census Bureau should expand the use of administrative data (income and program benefits) to improve estimates of resources in the Principal Poverty Measure (PPM). .. In particular, the Census Bureau should aggressively explore the strategy of using federal and state administrative records to improve models for imputation for item nonresponse, including nonreporting of receipt as well as amounts.

Recommendation 6.3: In developing a PPM that integrates administrative data to the greatest extent possible, the Census Bureau should produce a historical series comparing an experimental Supplemental Poverty Measure (SPM) that aggressively links administrative data into estimates with the SPM produced using current methods.
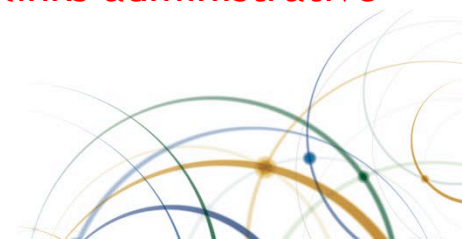
Future Developments

- The PPM will need regular review to ensure that it is adequately meeting its intended goal of measuring the economic fortunes of households in the US

- Areas in need of future research include
  - Treatment of childcare in nonworking households
  - Moving food from expenditures to policy based measure
  - Adding transportation as a basic need in the threshold
  - Whether and how to account for assets and debts