



INSTITUTE FOR SOCIAL RESEARCH • SURVEY RESEARCH CENTER

PANEL STUDY OF INCOME DYNAMICS
UNIVERSITY OF MICHIGAN

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Policy Implications for Child Poverty Measurement

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University of Michigan*

*NAS Dialogue on
Measuring and Reducing
Child Poverty*

March 13, 2020

What is Poverty ?



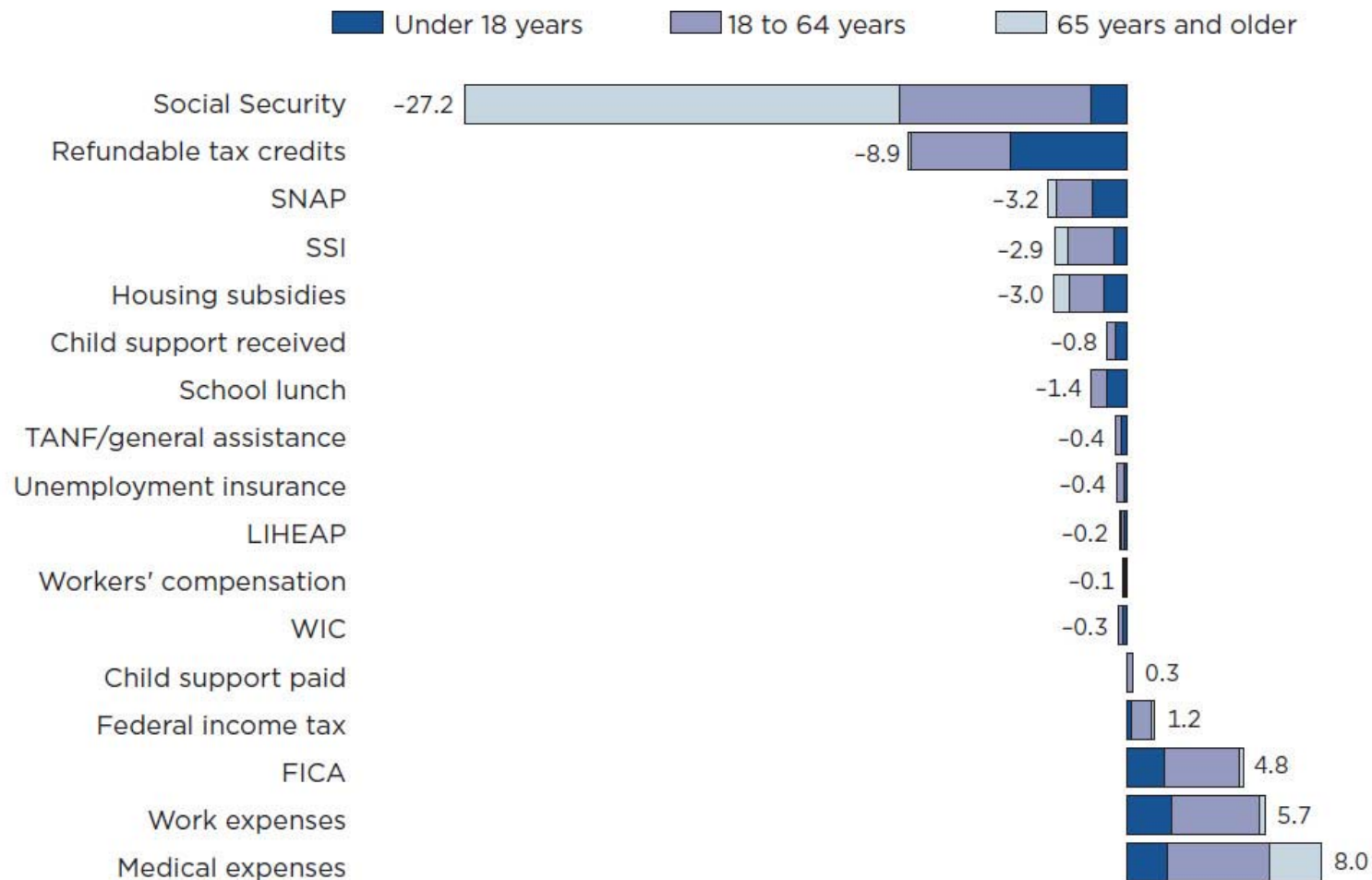
NAS Report: What is Poverty

*“We define poverty as **economic deprivation**. A way of expressing this concept is that it pertains to people’s lack of economic resources (e.g., money or near money income) for consumption of economic goods and services (e.g., food, housing, clothing, transportation). Thus, a poverty standard is based on a level of family resources (or, alternatively, of families’ actual consumption) **deemed necessary to obtain a minimally adequate standard of living, defined appropriately for the United States today.**”*

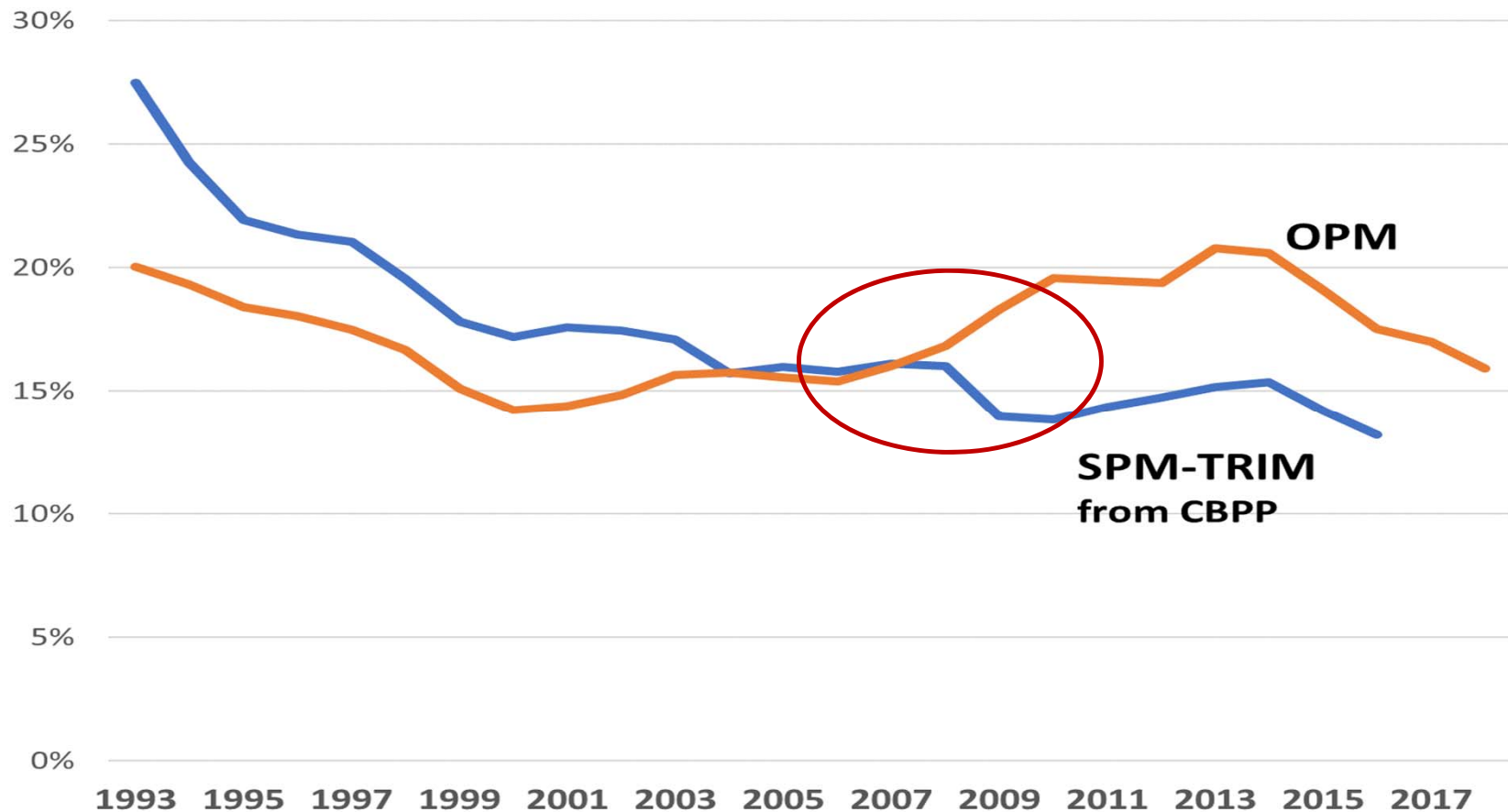
Advantages of SPM

- Resources and Thresholds are consistent
- More realistic “family,” and includes foster children
- Thresholds annually updated by changing standard of living
- Resources include all government transfers (net of taxes), and can demonstrate impact of transfers on poverty
- Allows for geographic differences in housing costs
- Attempts to deal with differences in health care and differences between owners and renters
- Better captures who is poor
 - Homeowners, workers, with health insurance, married couples, elderly and inside MSAs

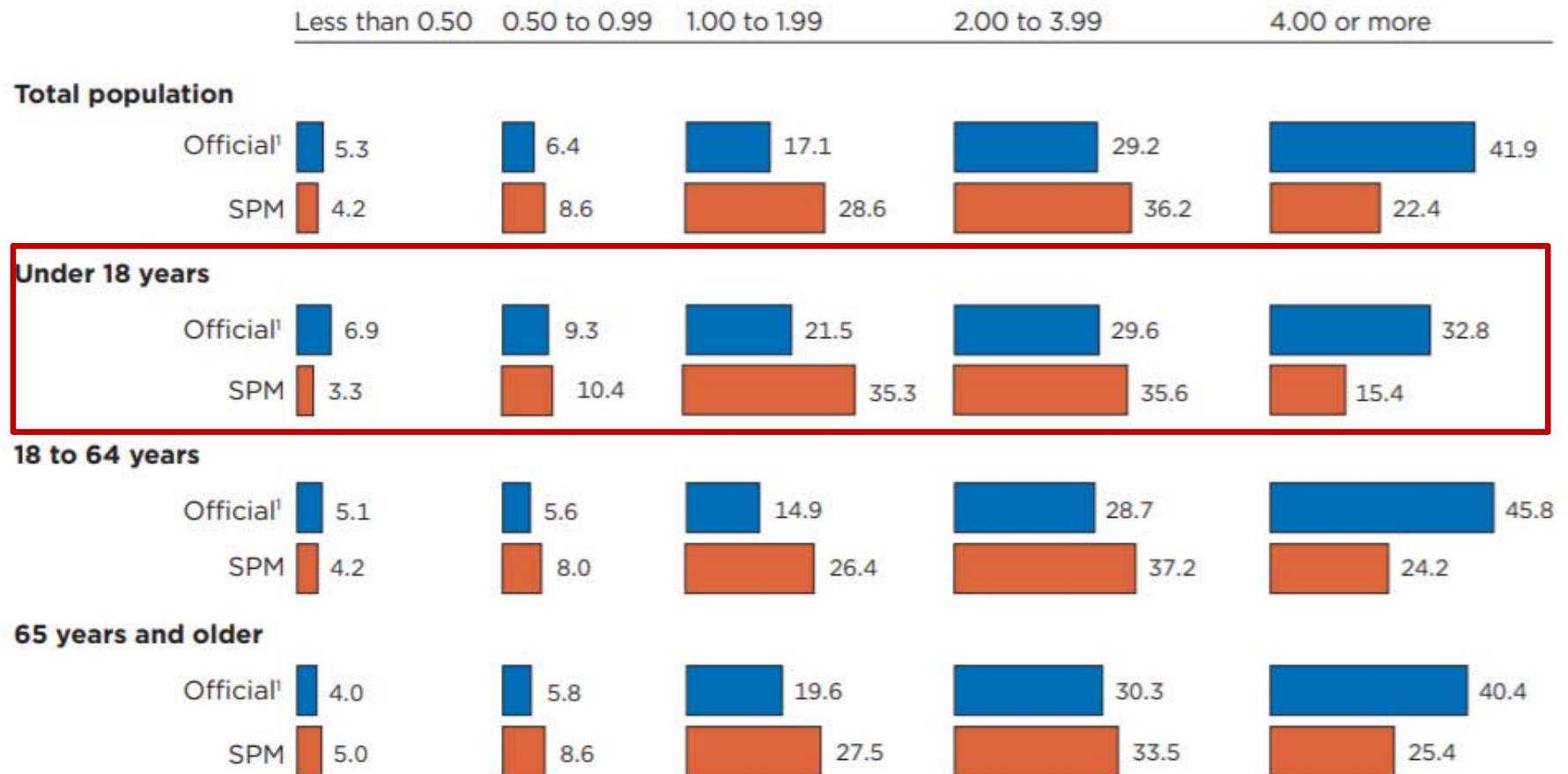
Change in Number of People in Poverty After Including Each Element: 2018



The SPM demonstrates the impact of the safety net over the recession for child poverty



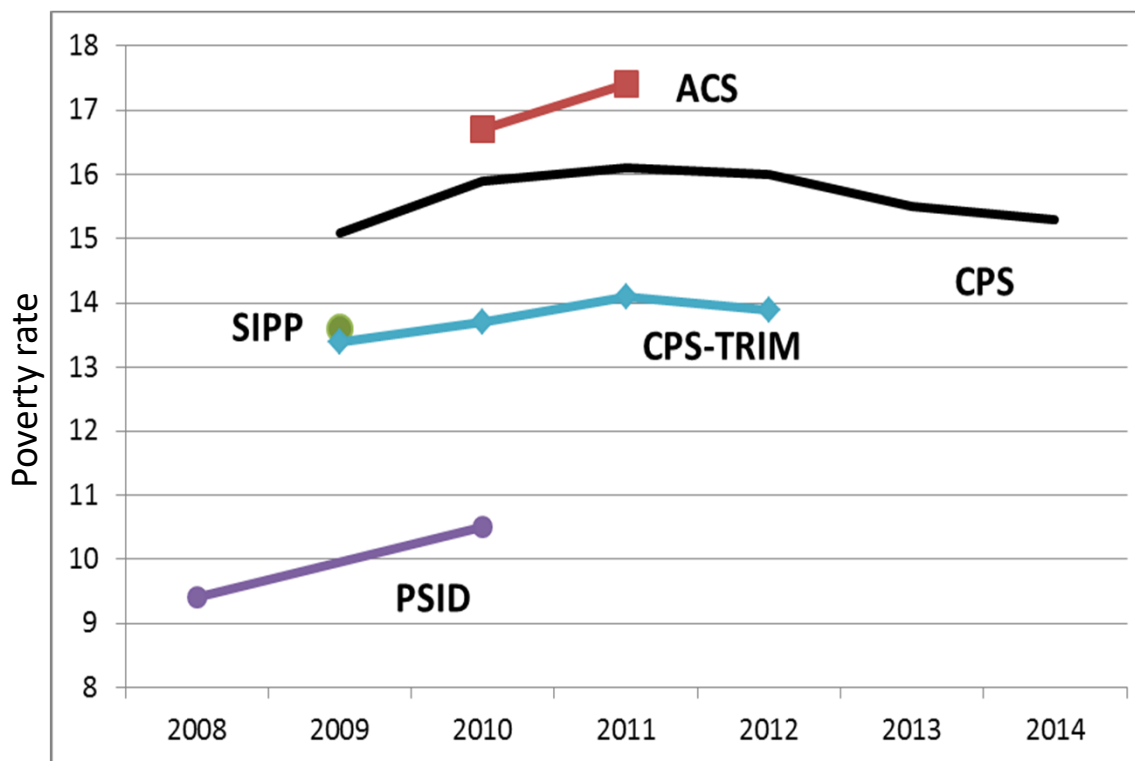
Need to consider the entire distribution



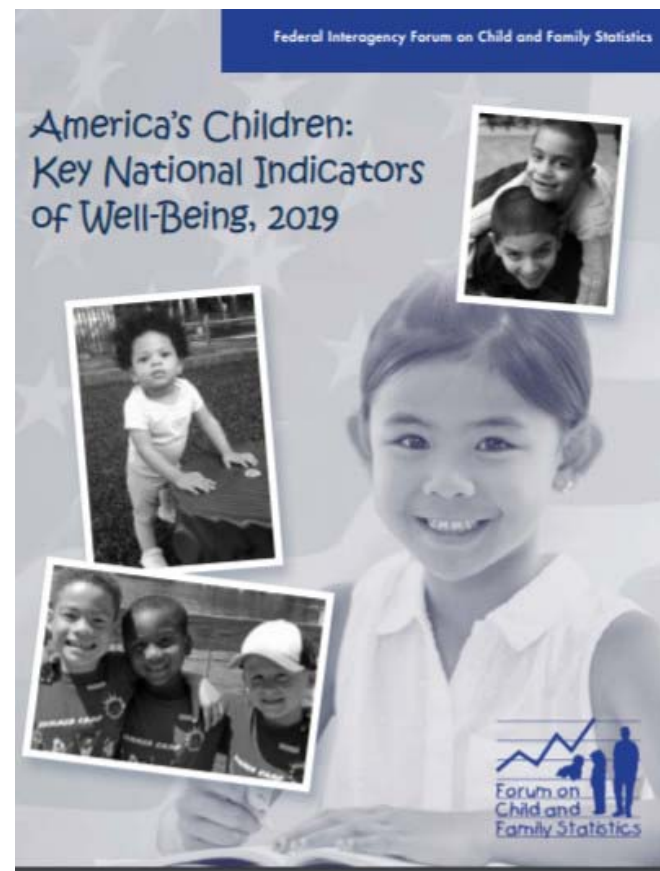
More Research is Needed

- Portability across surveys
- Mis-reporting and under-reporting
- Imputing income and taxes
- Threshold levels, updating mechanism and equivalence scales
- MOOP and the ACA
- How to handle home ownership
- Benefit calculations and work-expenses
- Long-term poverty
- Creating a consistent historical series
- Consumption, Wealth and Multi-dimensional measures, and using SPM for income distribution
- What is elderly income and poverty

Portability across surveys and indicators is important



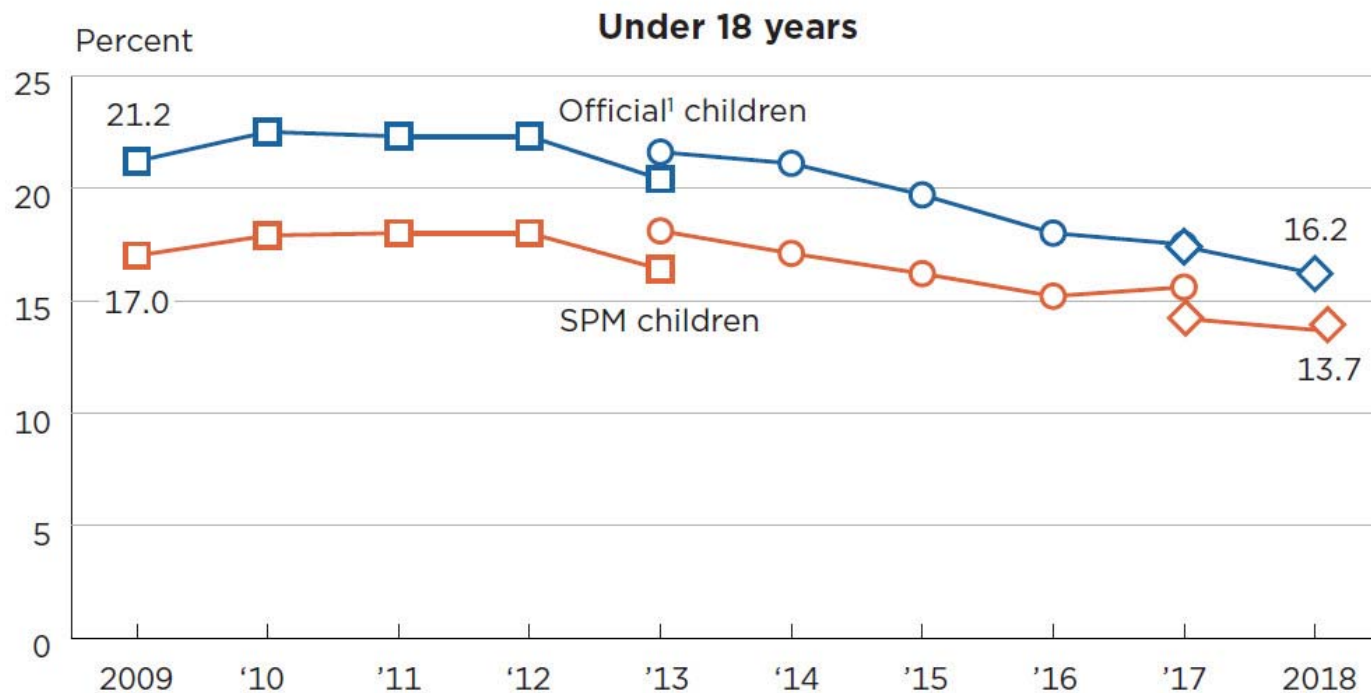
Sources: Short (2015), Renwick (2015 and 2012), Short (2014), Sherman and Trisi (2015), Kimberlin, Shaefer, and Kim (2015)



Need to create a consistent historical measure

Poverty Rates Using the Official and Supplemental Poverty Measures by Age Group: 2009 to 2018

□ Traditional income questions ○ Redesigned income questions ◇ Updated processing system



Changes to be Considered		
	SPM	
Measurement units	OPM plus unmarried partners, unrelated children and foster children	Change to household unit of analysis?
Poverty threshold	30 th -36 th percentile of expenditures on food, clothing, shelter and utilities (+ 20%)	Move to the median Expand the reference sample Incorporate medical expenditures Impute the value of in-kind benefits Examine Housing part (use REQ)
Threshold adjustments	Geographic adjustments for differences in housing costs and equivalence scale for family size and comp. Three separate thresholds by housing status	Replace ACS median rents with BEA RPPS Adjust rent index to account of amenities Use the square root of family size Adjust each component of the threshold separately for economies of scale
Updating thresholds	Five year moving avg. of expenditures	Use annual changes and equivalized median
Resource measure	Sum of cash income, PLUS: in-kind benefits (SNAP, LIHEAP, WIC, Housing subsidies) MINUS: Taxes, child support paid, work expenses (including child care), MOOP	Correct survey reports for underreports Improve the tax model Use state data to set WIC benefits Improve estimate of commuting expenses using ACS data on journey to work ¹¹

FR Notice Questions

<https://www.regulations.gov/document?D=OMB-2019-0007-0001>

1. How should a sharing unit be defined?
2. What standards should [be used] to determine which resource measures [are] preferred?
3. Should the value of health insurance be incorporated?
4. Should the value of education be incorporated?
5. What income sources should be included?
6. What expenses should be subtracted from income?
7. How should...the problem of survey misreporting of income [be addressed]?
8. What types of spending should be included as consumption?
9. How should vehicles and housing be included?
10. How should...the problem of survey misreporting of consumption [be addressed]?
11. How should the thresholds be set initially?
12. How should they be updated over time?
13. Should thresholds be adjusted for geographic areas?
14. How should a sharing unit's size and composition be accounted for?

FR Notice Answers

<https://www.regulations.gov/document?D=OMB-2019-0007-0001>

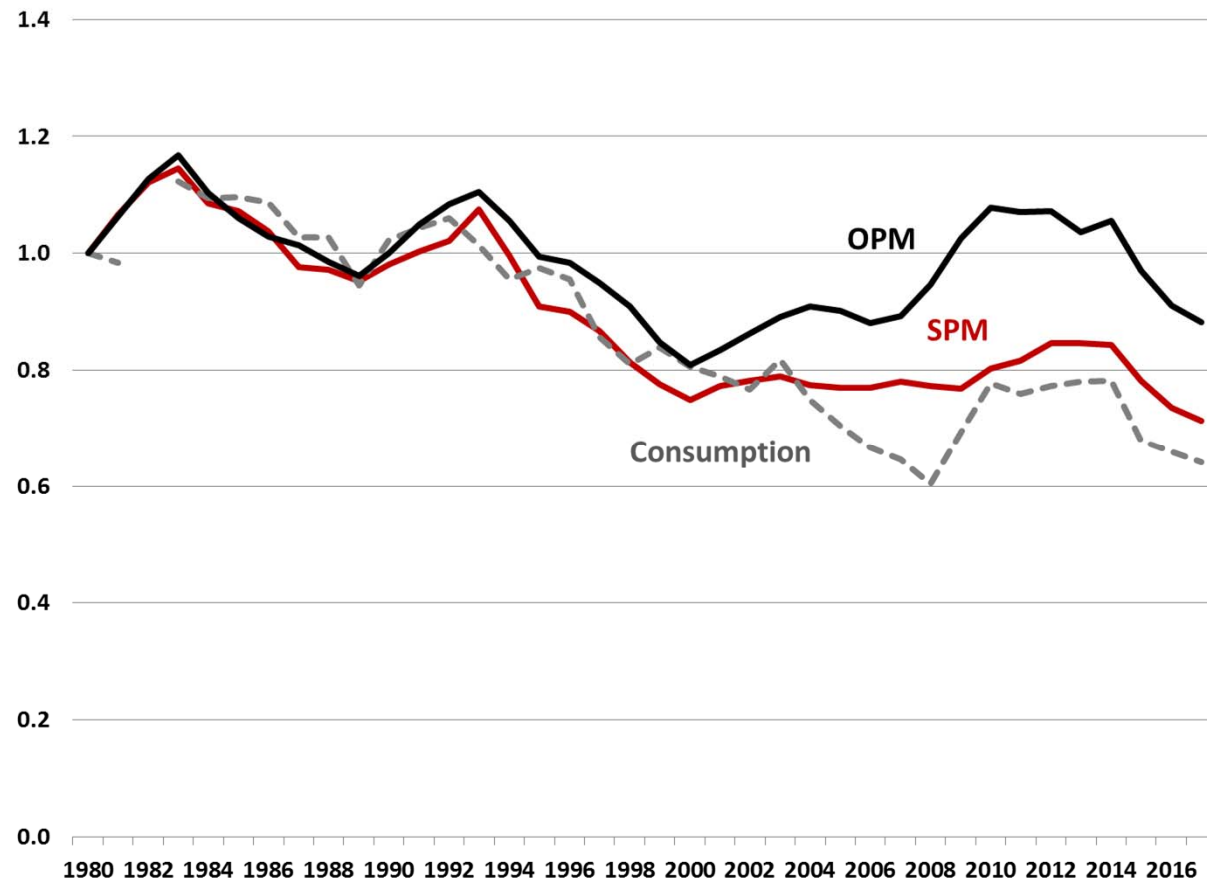
1. How should a sharing unit be defined? **SPM**
2. What standards should [be used] to determine which resource measures [are] preferred?
Consistent, High Quality, Comprehensive
3. Should the value of health insurance be incorporated? **HIPM-type**
4. Should the value of education be incorporated? **No**
5. What income sources should be included? **SPM**
6. What expenses should be subtracted from income? **SPM**
7. How [to address] the problem of survey misreporting of income? **CID adj**
8. What types of spending should be included as consumption? **SPM consistent**
9. How should vehicles and housing be included? **Service flows**
10. How [to address] the problem of survey misreporting of consumption? **CED adj**
11. How should the thresholds be set initially? **SPM**
12. How should they be updated over time? **SPM**
13. Should thresholds be adjusted for geographic areas? **SPM**
14. How should a sharing unit's size and composition be accounted for? **SPM + IntraHH**

NAS Report on Consumption

One view is that the poverty measure should reflect the *actual level* of material well-being or consumption in the society (in terms of the number of people above the threshold), regardless of how that well-being is attained. **Another view is that the poverty measure should reflect people's *ability* to obtain a level of material well-being** above the threshold through the use of their own income and related resources.

On balance, **many members of the panel find more compelling the arguments in favor of a consumption definition that attempts to assess actual levels of material well-being.** However, in the United States today, adequate data with which to implement a consumption-based resource definition for use in the official poverty measure are not available.

Does it Matter: Trends in SPM and Consumption Poverty (Meyer/Sullivan) are similar (Pov=1 in 1980)



NOTE: All use thresholds adjusted by CPI-U-RS

Measurement Issue: What do we include in consumption

ITEM	Outlays	Consumption	Consumption for Poor
Acquisition cost of non-durables and services	Yes	Yes	Yes
Health and education spending	Yes	Yes	No
Mortgage interest and principal payments	Yes	No	No
Service flow from housing services	No	Yes	Yes
Purchase price of vehicles	Yes	No	No
Purchase price of other durables	Yes	No	Yes
Service flow from vehicles	No	Yes	Yes
Service flow from other durable goods	No	Yes	No
Cash contributions	Yes	No	No
Life insurance, pensions and retirement	Yes	No	No
Home production and barter	No	Yes	No
In-kind gifts from others	No	Yes	No
In-kind government transfers food, housing, health	Food	Yes	Food, housing

How are Expenditures and Consumption Different

Adjusted Total expenditures =

Non-durable + Service expenditures +

+ In-kind subsidies beyond outlays

+ Savings (current personal pension contributions)

+ Durable purchases (principal and interest for vehicles)

+ Housing out of pocket (HOOP)

+ Education

– Work expenses and Child care

– Child support

– MOOP

Consumption = Adj Expn – vehicle purchases – savings – HOOP

+ rental equivalence + vehicle service flows

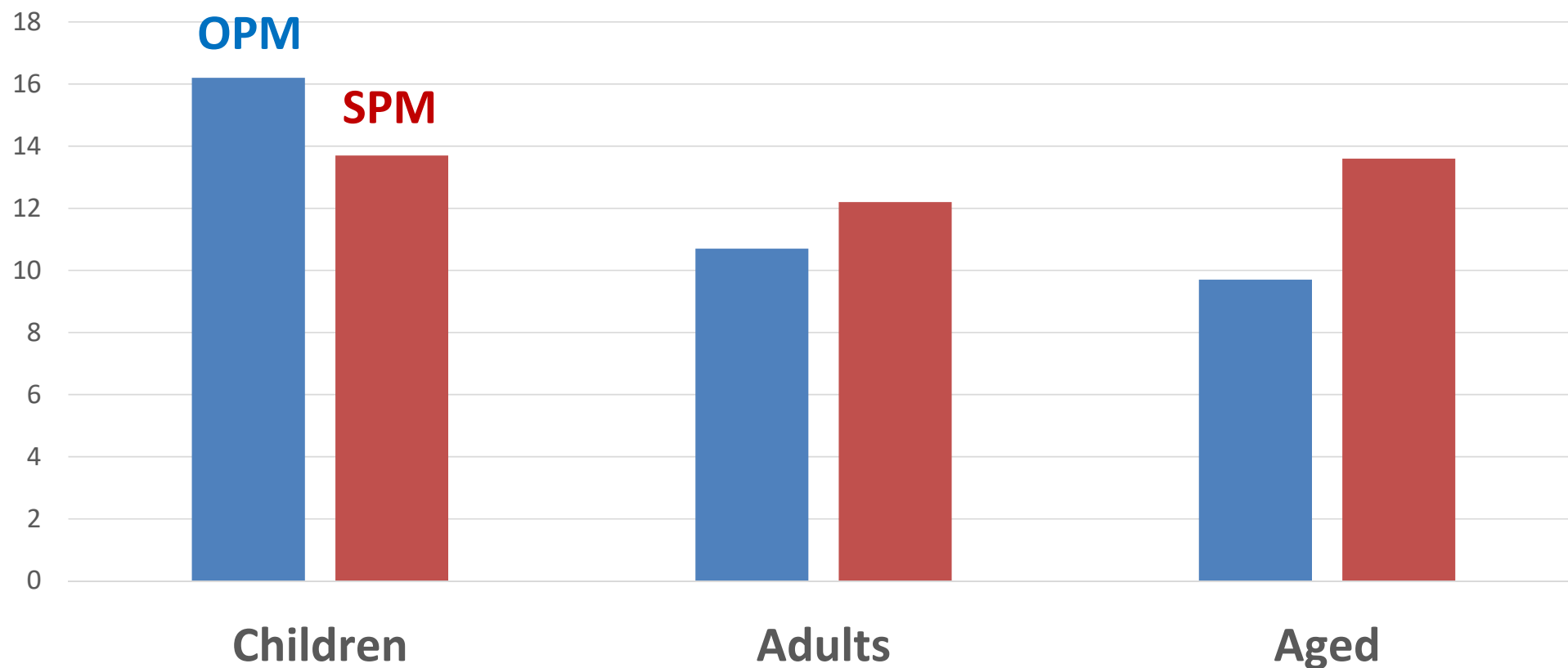
Measurement Issues for Consumption/Expenditures

- Quality of CE data
- Sample size in CE support state-level estimates (currently MSA level)
- How to obtain annual consumption from quarterly CE spending data
- What do we include in consumption
 - Housing, Health, Education
 - Measuring service flows for housing and durables
- What about under-reporting of spending (e.g., alcohol, clothing)
- What do we do about elderly
- How can we examine the impacts of government programs
- How do we determine a consistent thresholds

The Politics of the SPM

- Conservatives Feel left out of decisions in SPM
- The issue with Relative Poverty (Thresholds)
- Need to measure impact of Medicaid and Medicare
- Are Children really better off than Aged

Child Poverty under SPM is Lower than OPM Poverty for Aged is Higher



Can we change the official poverty measure?

OMB Statistical Policy Directive 14

For the years 1959-1968 the statistics on poverty contained in the Census Bureau's Current Population Reports, Series P-60, No. 68, shall be used....

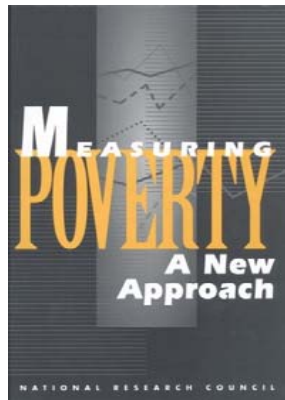
For the years 1969 and thereafter, the statistics contained in subsequent applicable reports in this series shall be used...The Bureau of the Census series continues the Social Security Administration definition for the base year, 1963...

...Annual adjustments in Census series are based on changes in the average annual total Consumer Price Index (CPI) instead of changes in the cost of the U.S. Department of Agriculture's Economy Food Plan...

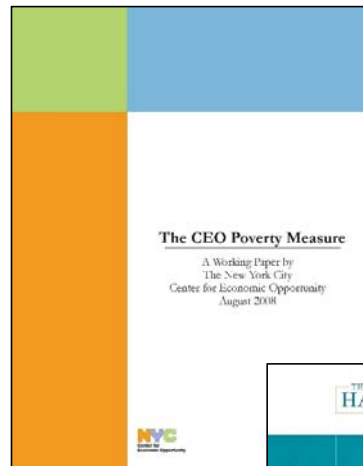
...Other measures of poverty may be developed for particular research purposes, and published, so long as they are clearly distinguished from the standard data series....

How can we change the official poverty measure?

Origin and Critical moments



Patient zero
recommend
replacing OPM



Implements NAS
Measure



Recommends new measure
but not replacement

New measure
legislation



To amend title XI of the Social Security Act to provide for an improved method to measure poverty so as to enable a better assessment of the effects of programs under the Social Security Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. McHERRY introduced the following bill, which was referred to the Committee on

A BILL

To amend title XI of the Social Security Act to provide for an improved method to measure poverty so as to enable a better assessment of the effects of programs under the Social Security Act, and for other purposes.

may be cited as the "Measuring American Poverty Act of 2009".

Funding for Supplemental
measure



Department of Commerce

Census Bureau to Develop Supplemental Poverty Measure

Submitted on March 2, 2010 - 3:42pm

Categories: [Press Releases](#) [Budget](#) [Data](#) [Government Initiative](#) [Measurement](#) [National Research](#) [Science](#) [Statistics](#) [Bureau of the Census](#) [Office of the Secretary](#) [Printer-friendly version](#)

FOR IMMEDIATE RELEASE

Tuesday, March 2, 2010

CONTACT OFFICE OF PUBLIC AFFAIRS

202-482-4803

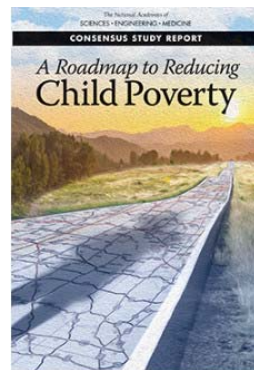
Census Bureau to Develop Supplemental Poverty Measure

ESA Contact: Jane Callen (202) 482-2235

The Commerce Department will fund the development of a new poverty measure for the President's FY2011 budget.



BLS/Census
create SPM
without funding



SPM
recommended
for use in
evaluation

Thoughts on the Future

- Never use OPM
- Census create an historical measure ala Columbia measure and fix break in series
- Move forward on other data sets (ACS, CE, PSID)
- Keep collaborating, and use funding to conduct and support research at poverty centers
- Produce both anchored and quasi-relative measure and periodically update threshold level
- Produce a pure relative measure
- Have a new CNSTAT Panel on Poverty

Need a New CNSTAT Panel on Measuring Poverty

- The FY2020 budget request includes the following program changes: Supplemental Poverty Measure (+\$2,000,000)
- The Census Bureau will fund a research study by the National Academies of Sciences, Engineering, and Medicine to evaluate and improve the supplemental poverty measure.

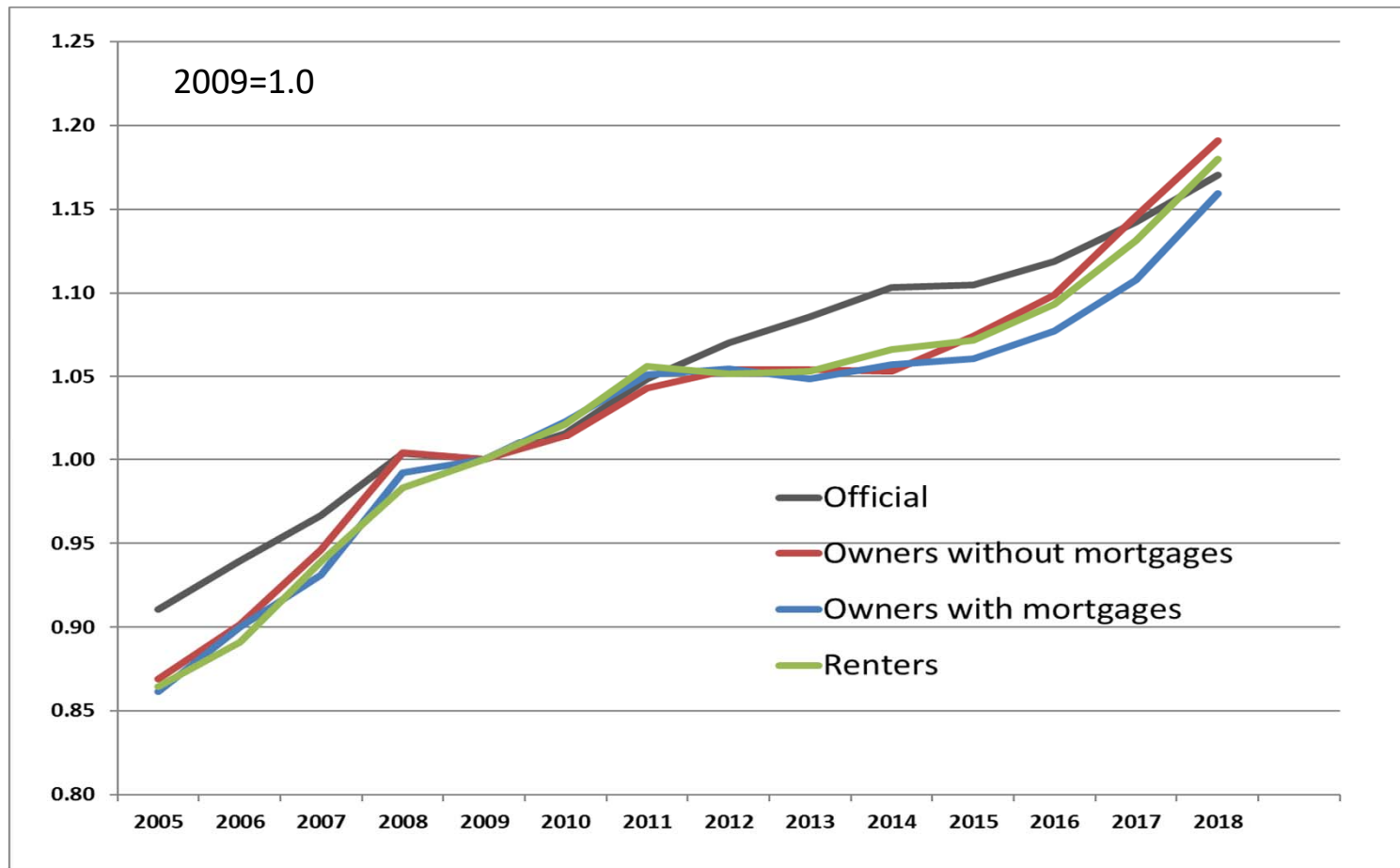


EXTRA SLIDES

ITWG Guidance

- According to the ITWG recommendations, SPM should be seen as a research measure, improving due to changes in data, methodology or research
- Priority should be placed on “consistency between threshold and resource definitions, data availability, simplicity in estimation, stability of the measure over time, and ease in explaining methodology (ITWG, 2010)”

The quasi-relative updating method creates differences than using the CPI-U



Consumption and Expenditure distributions differ mainly because of treatment of housing

