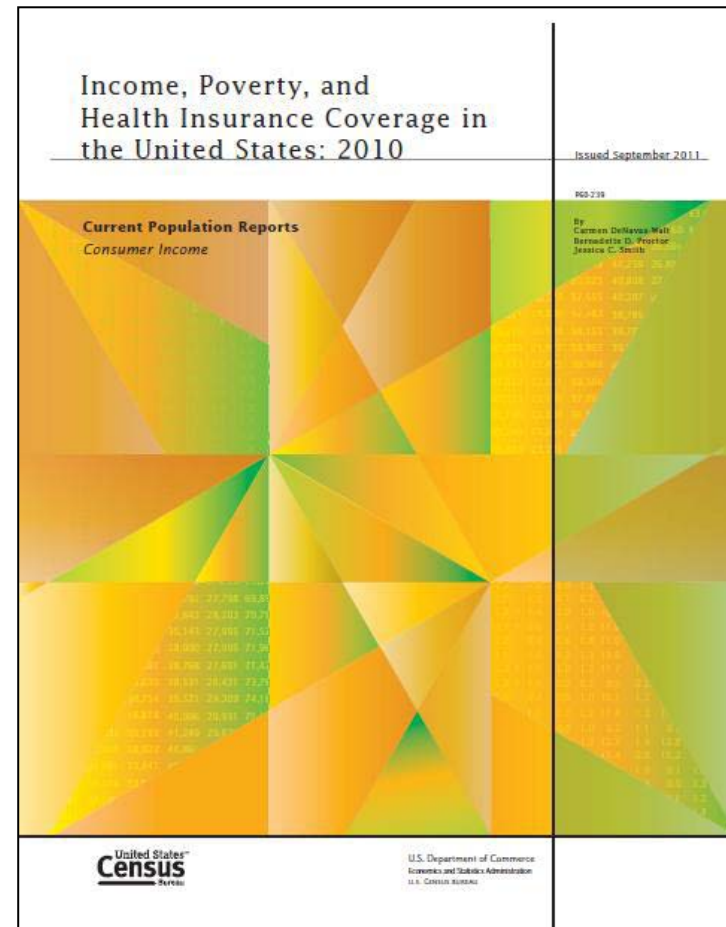


The Research Supplemental Poverty Measure: 2010

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)

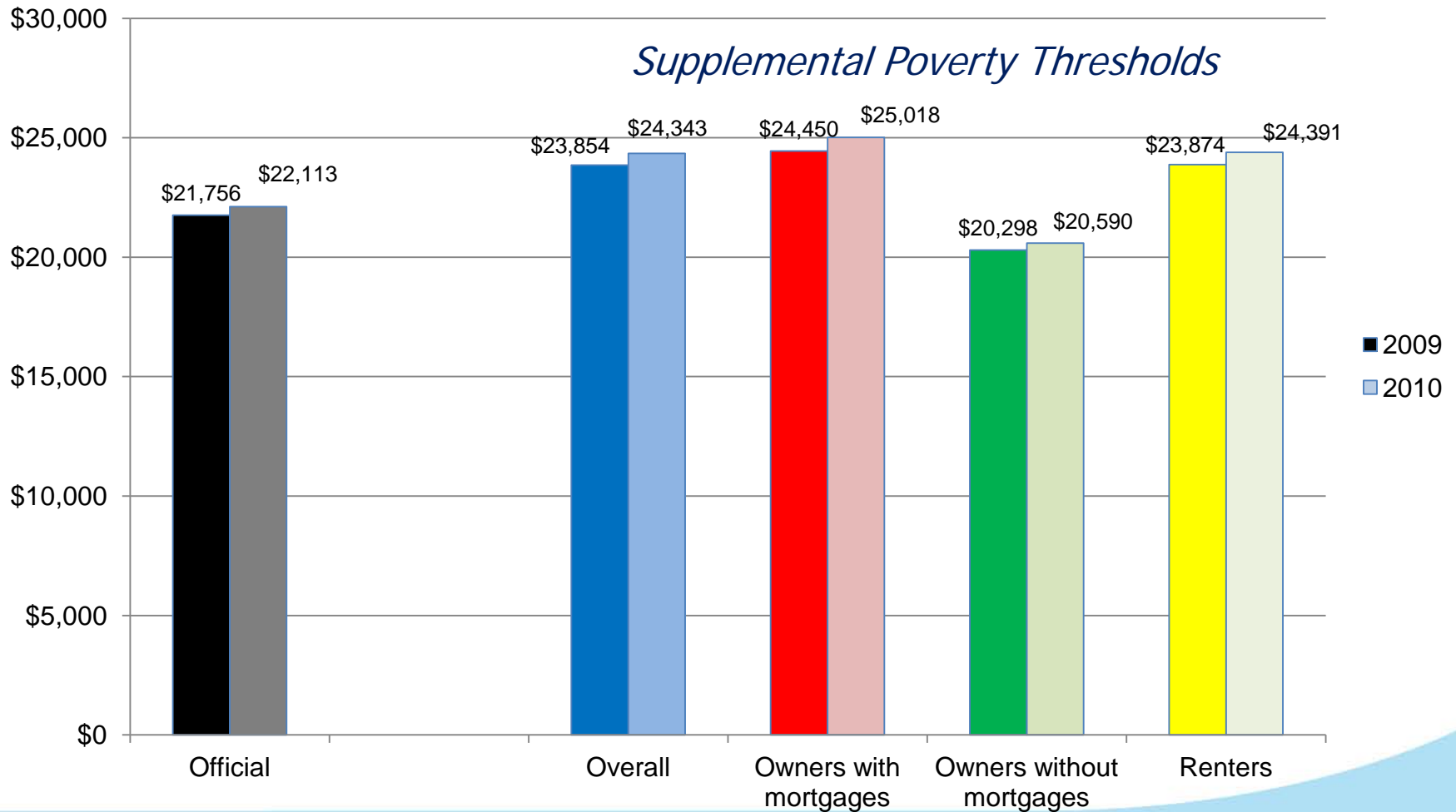
Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure (ITWG) - March 2, 2010

- 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



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

Child care and other work related expenses

- New CPS ASEC questions on child care expenses paid
- SIPP for other expenses

Medical Out of Pocket Expenditures (MOOP)

- New CPS ASEC questions

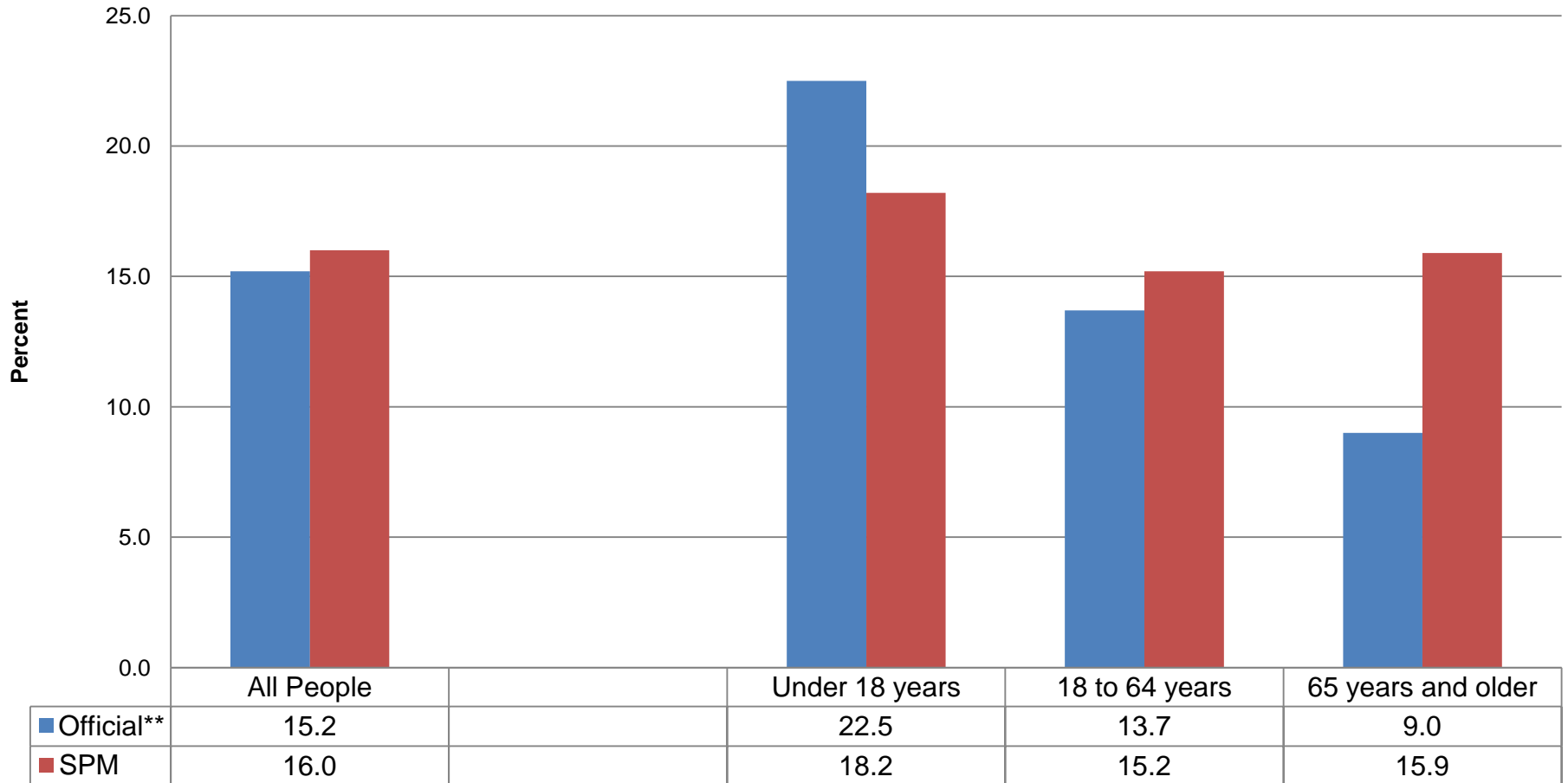
Child Support Paid

- 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

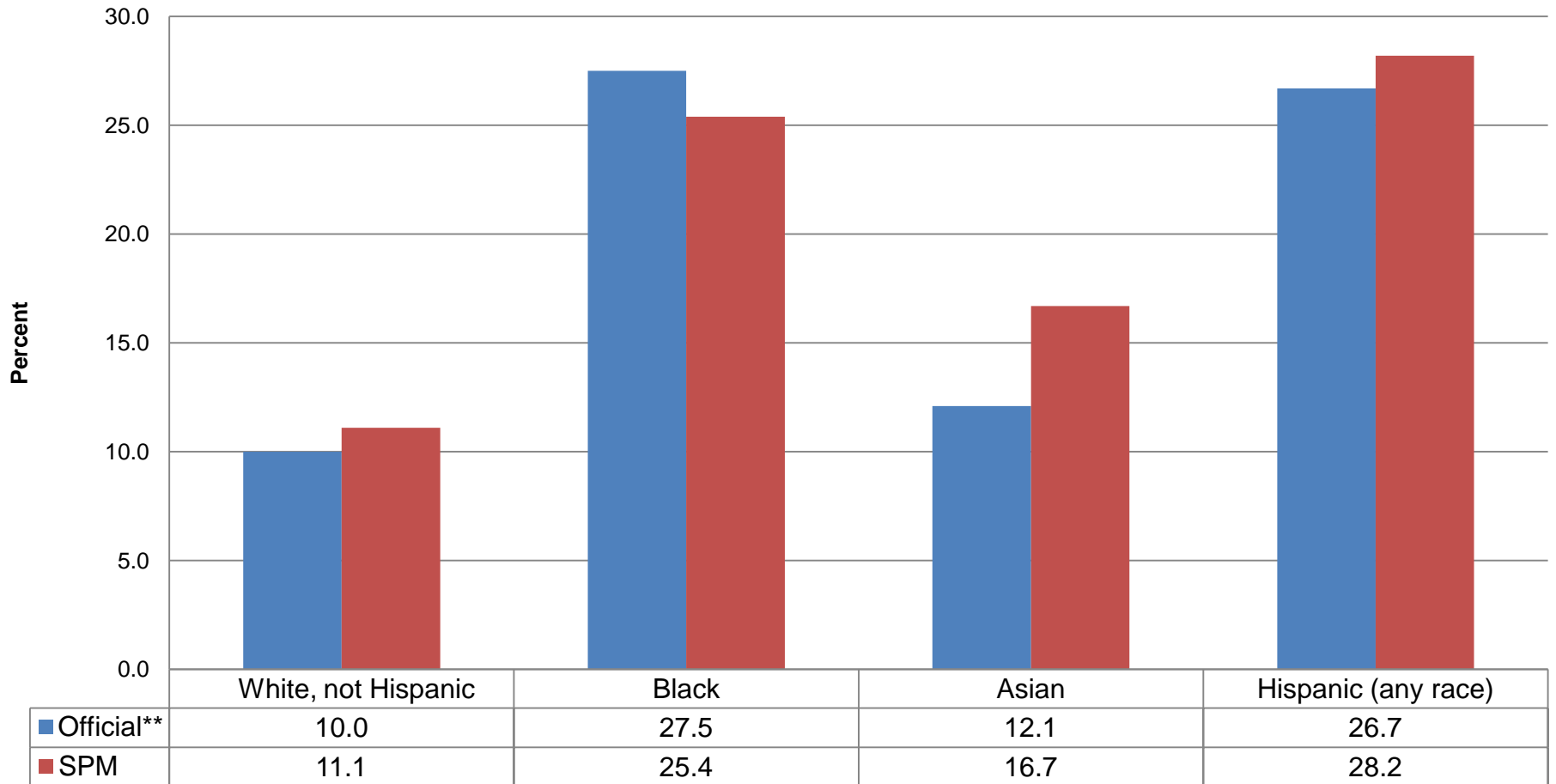
Poverty rates for all people and by age group: 2010



**Includes unrelated individuals under age 15.

Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

Poverty rates by race and ethnicity: 2010



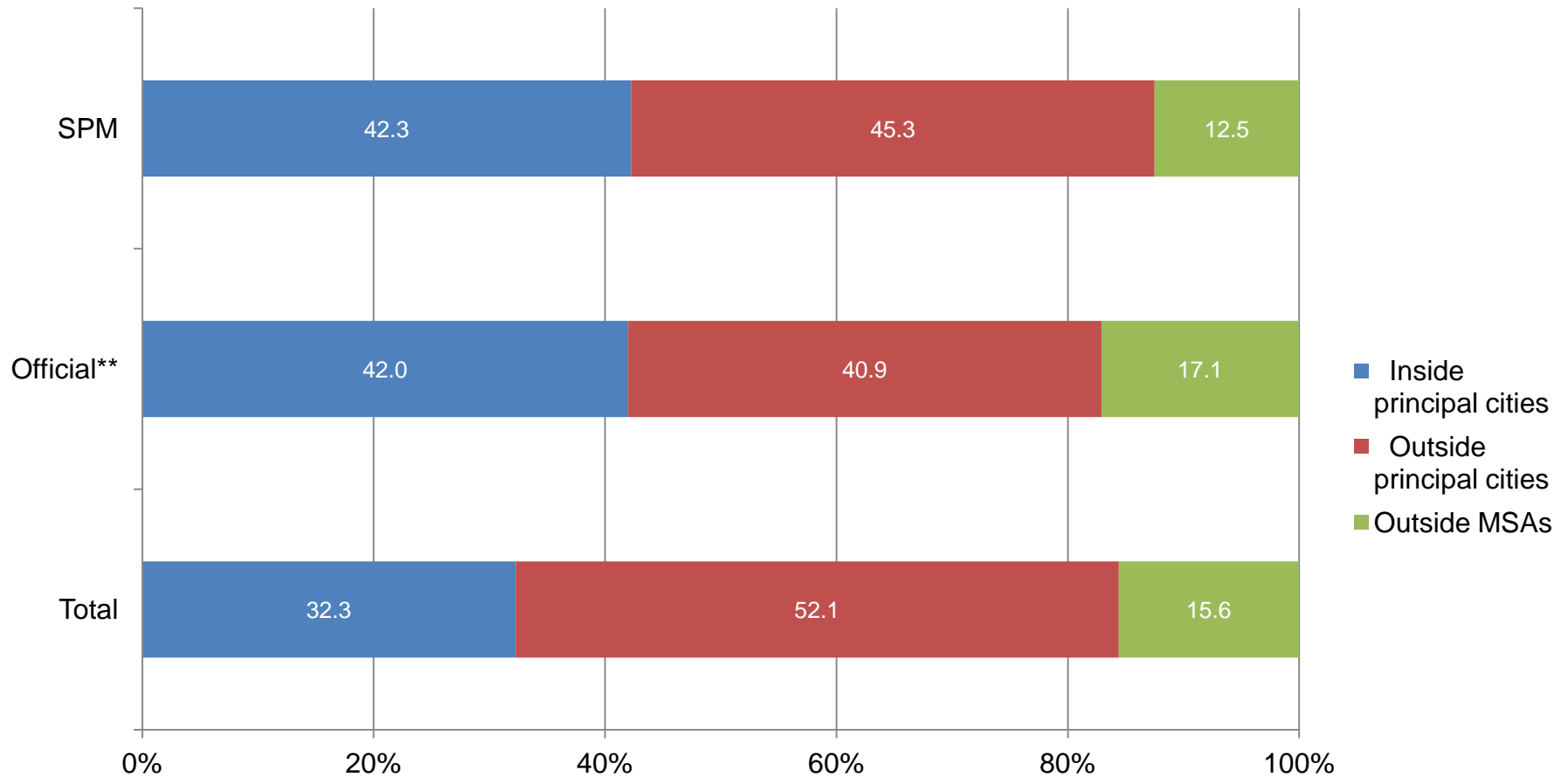
**Includes unrelated individuals under age 15.

Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

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

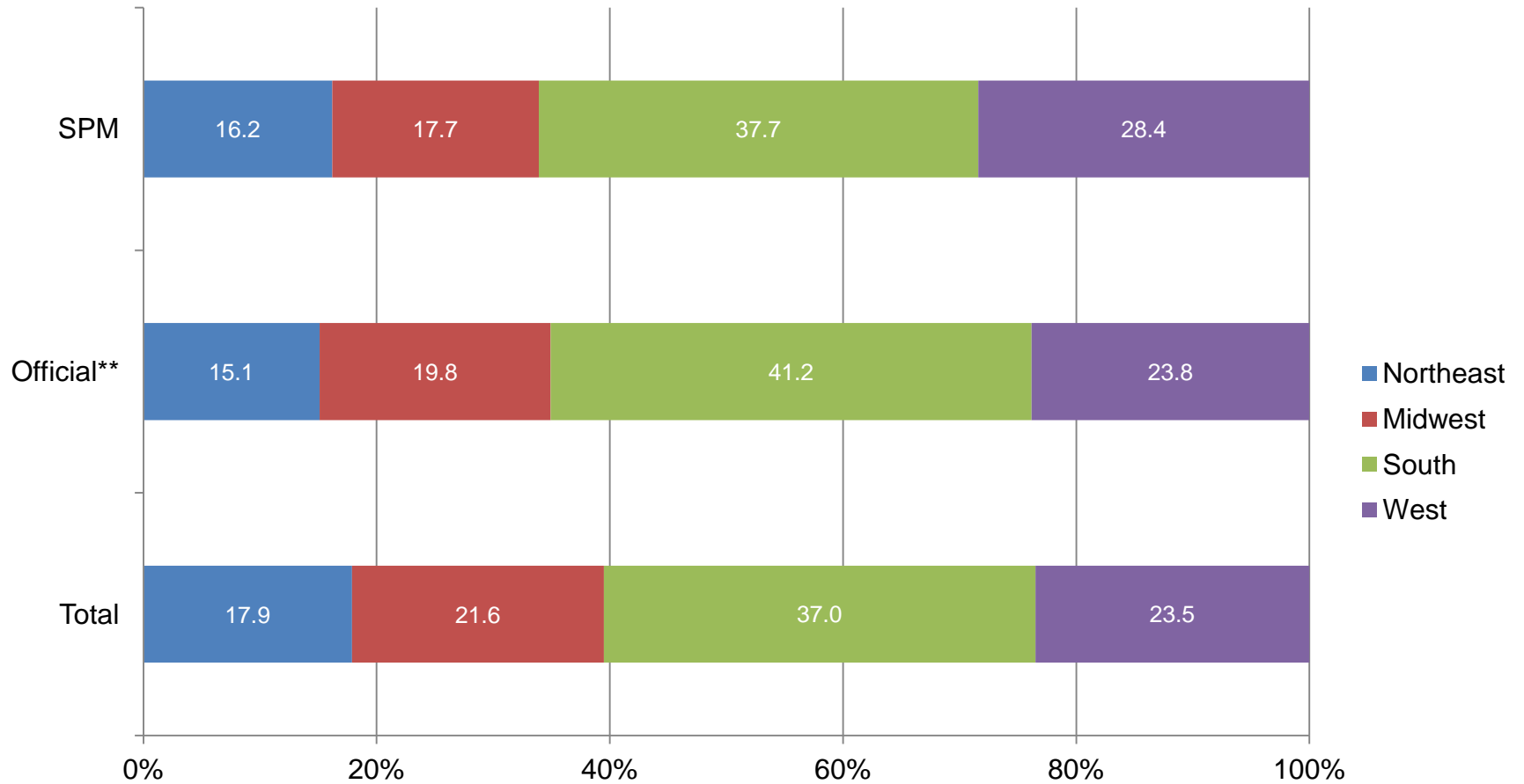
Composition of total and poverty populations by residence: 2010



** Includes unrelated individuals under age 15

Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

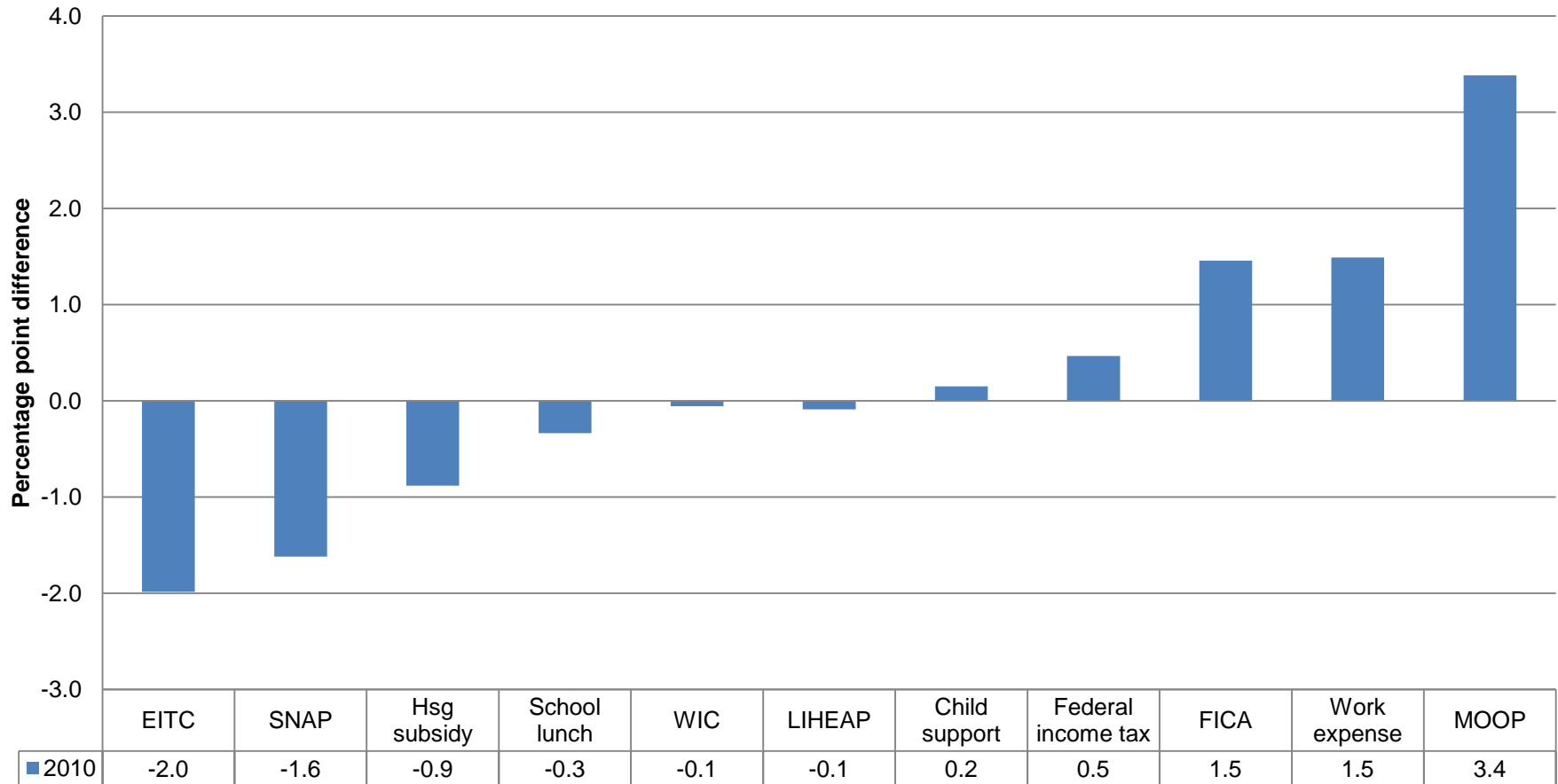
Composition of total and poverty populations by region: 2010



** Includes unrelated individuals under age 15

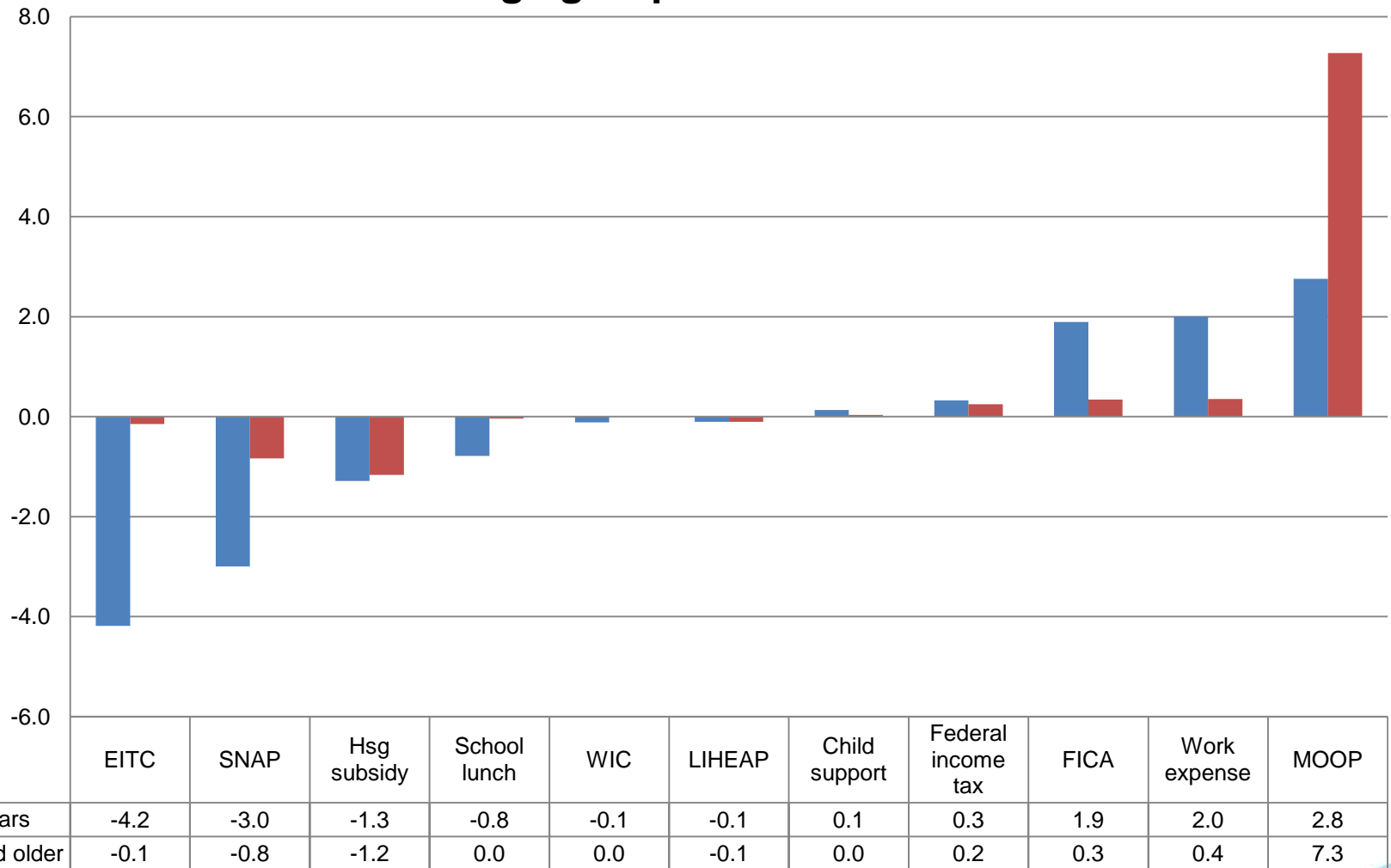
Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

Difference in SPM rate after including each element: 2010

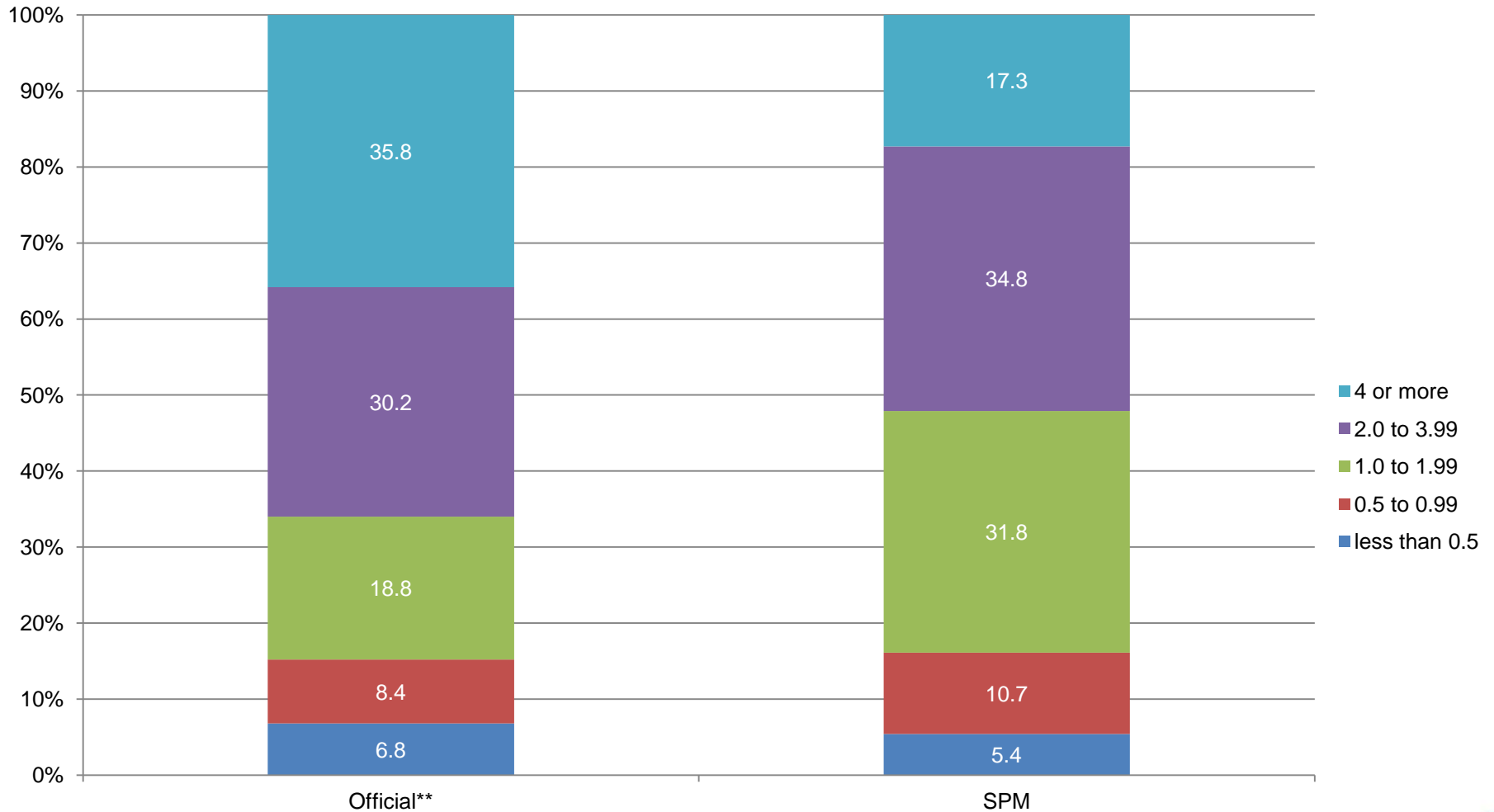


Source: Current Population Survey, 2010 and 2011 Annual Social and Economic

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



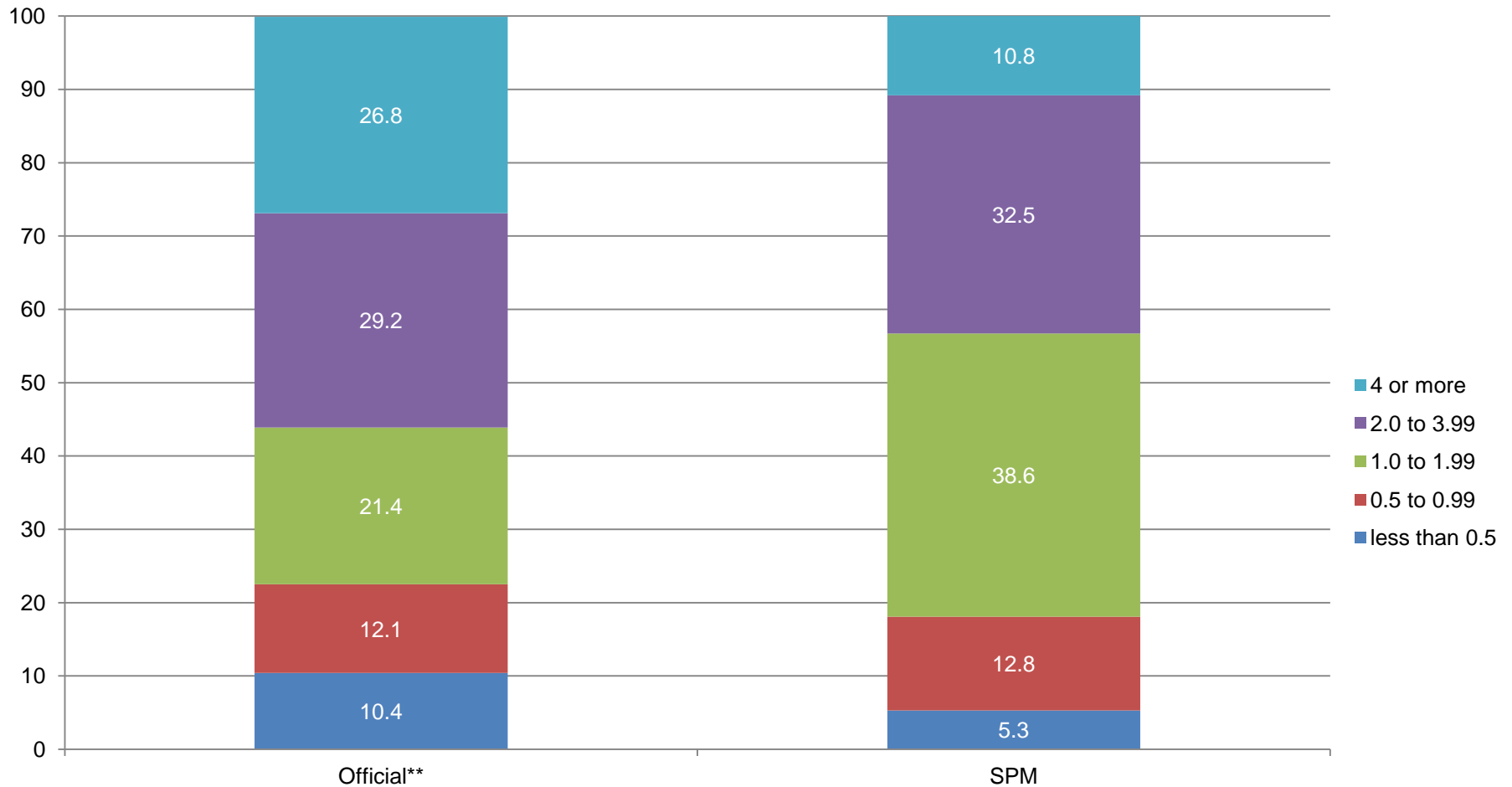
Distribution of People by Ratio of Resources to Poverty Threshold: 2010



** Includes unrelated individuals under age 15.

Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

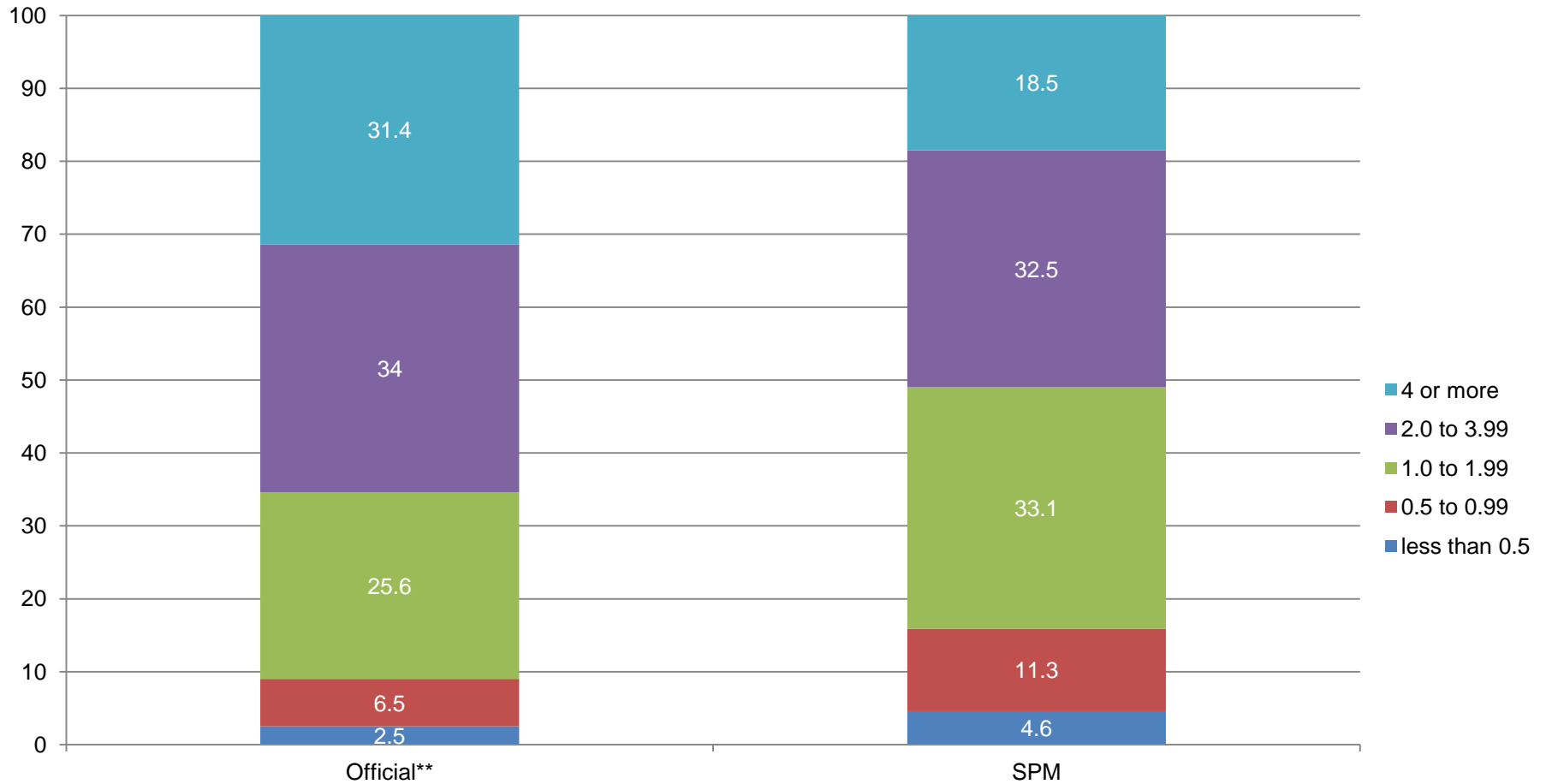
Distribution of People Under Age 18 by Ratio of Resources to Poverty Threshold: 2010



** Includes unrelated individuals under age 15.

Source: Current Population Survey, 2011 Annual Social and Economic Supplement.

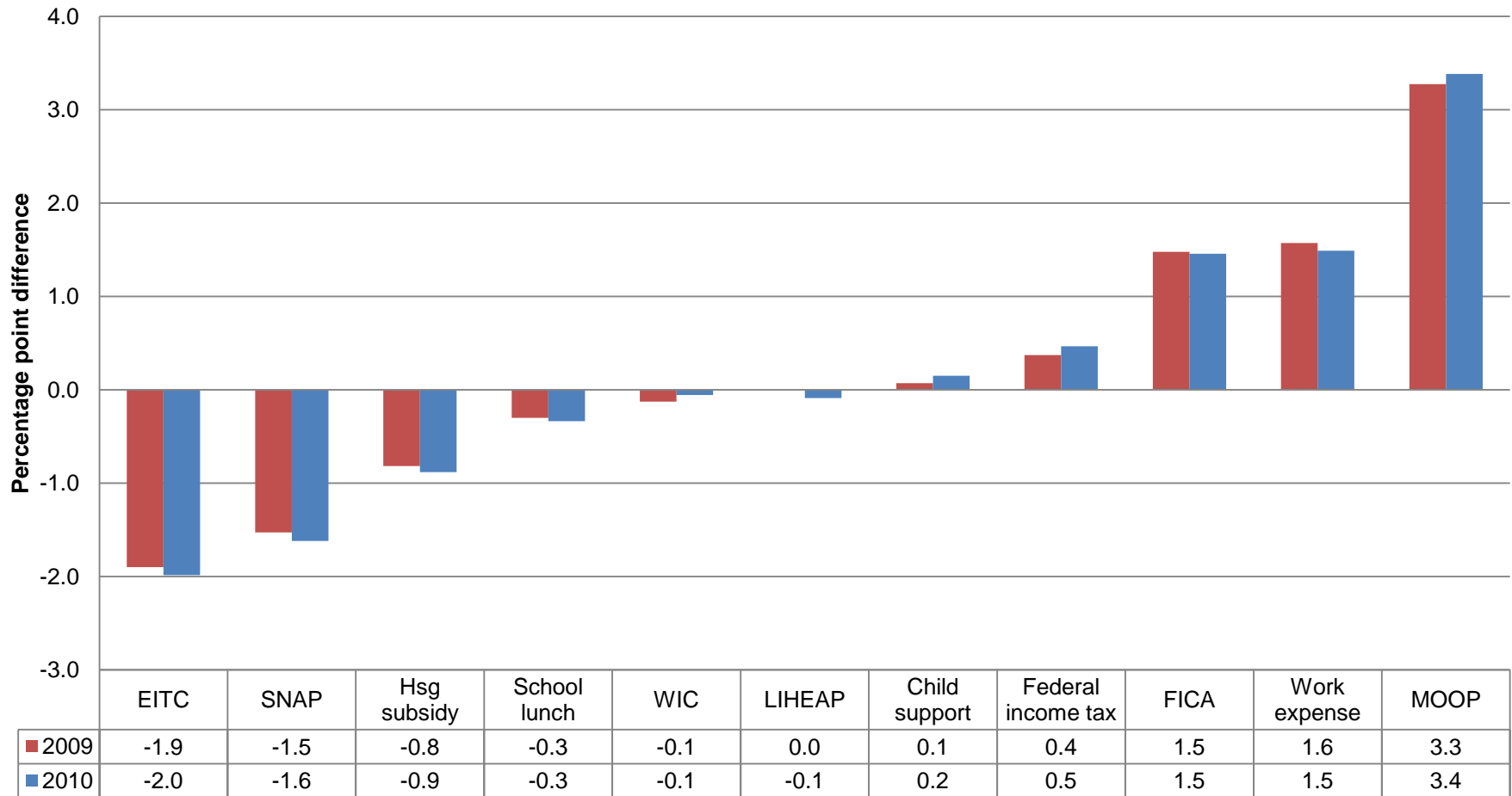
Distribution of People 65 Years of Age and Over by Ratio of Resources to Poverty Threshold: 2010



** Includes unrelated individuals under age 15.

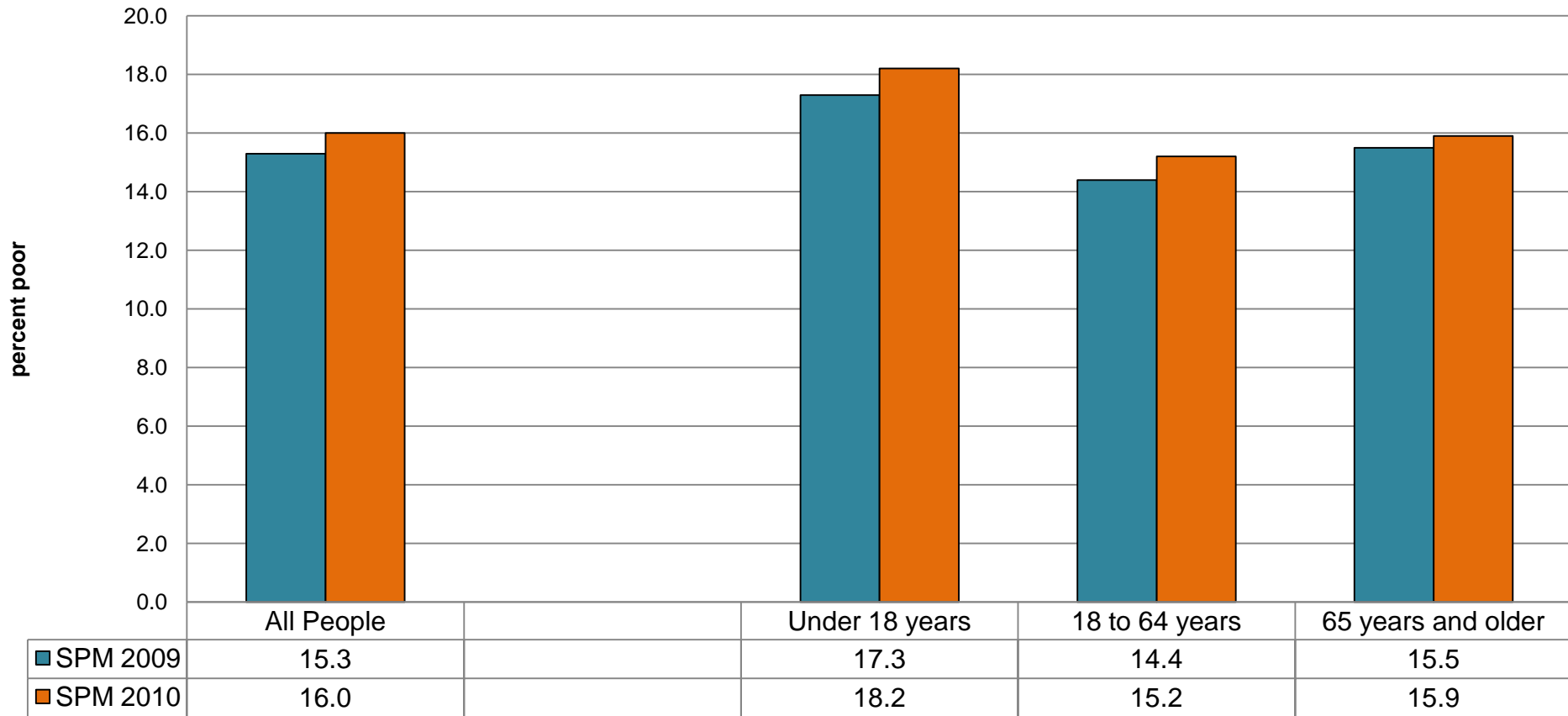
Source: Current Population Survey, 2011 Annual Social and Economic

Difference in SPM rate after including each element: 2009 and 2010



Source: Current Population Survey, 2010 and 2011 Annual Social and Economic

SPM rates for all people and by age group: 2009 and 2010



**Includes unrelated individuals under age 15.

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