

Supplemental Expenditure Poverty Measure: Discussion

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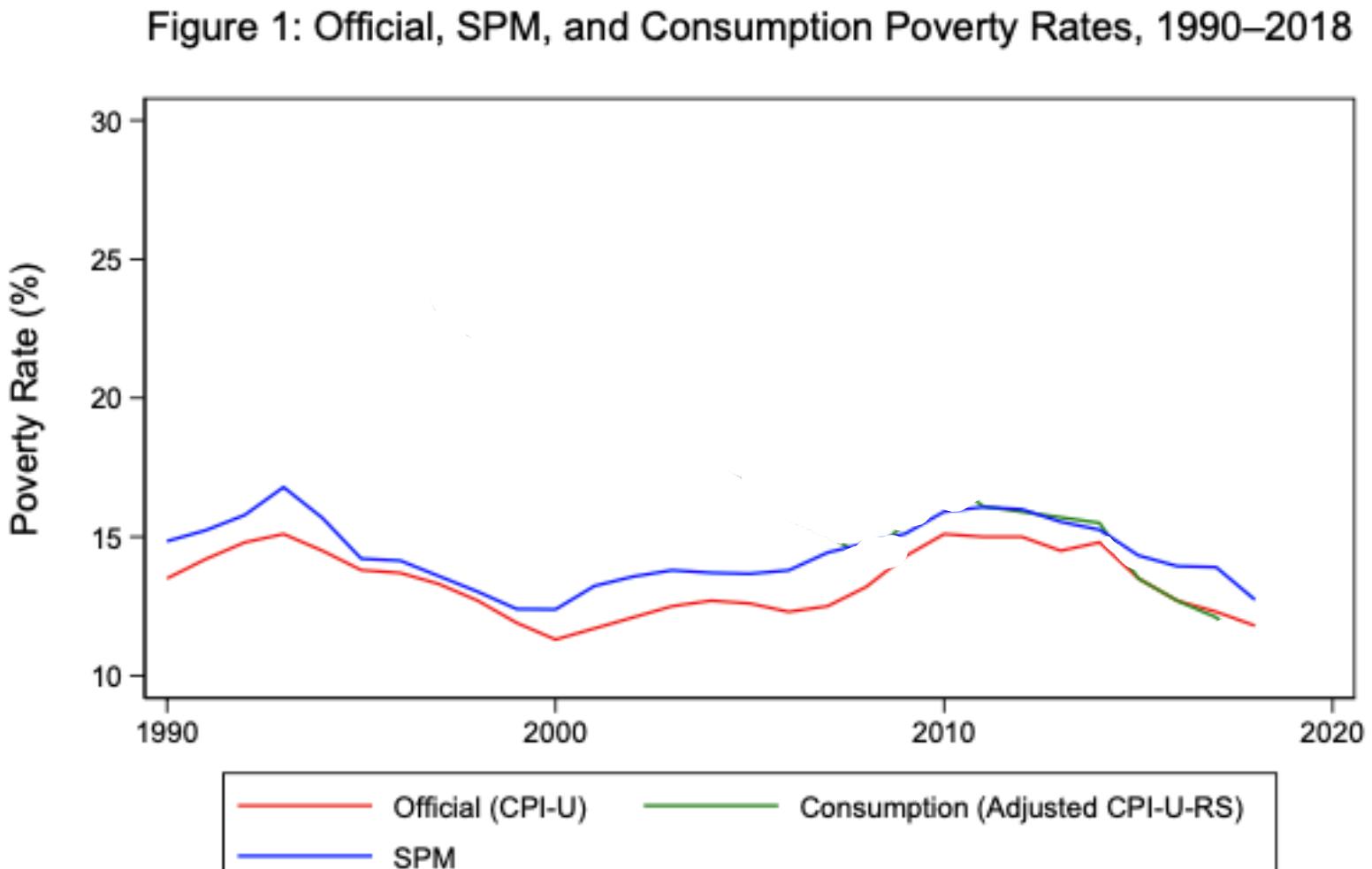
Northwestern University, NBER & Brookings

Measurement matters!

- Need accurate measure of poverty
 - How many poor?
 - Who are the poor?
 - How poverty changed over time?
- Bonus: how effective are our programs, and for whom?

Official Poverty Measure (OPM)	Supp. Inc. Poverty Measure (SIPM)
Cash	Cash Income
Taxes	X Less taxes (+/-)
In-kind	X SNAP, housing, Meals, WIC
Exclusions	X MOOP, work, childcare
Threshold	3x Thrifty '63
CPI	CPI-U
	Geographic in-yr

SPM changes
level (a little),
not trend



Notes: Consumption rate is anchored to 2015 Official threshold.

Sources: U.S. Census Bureau (2021), Columbia Center for Poverty and Social Policy, Meyer and Sullivan (2019).

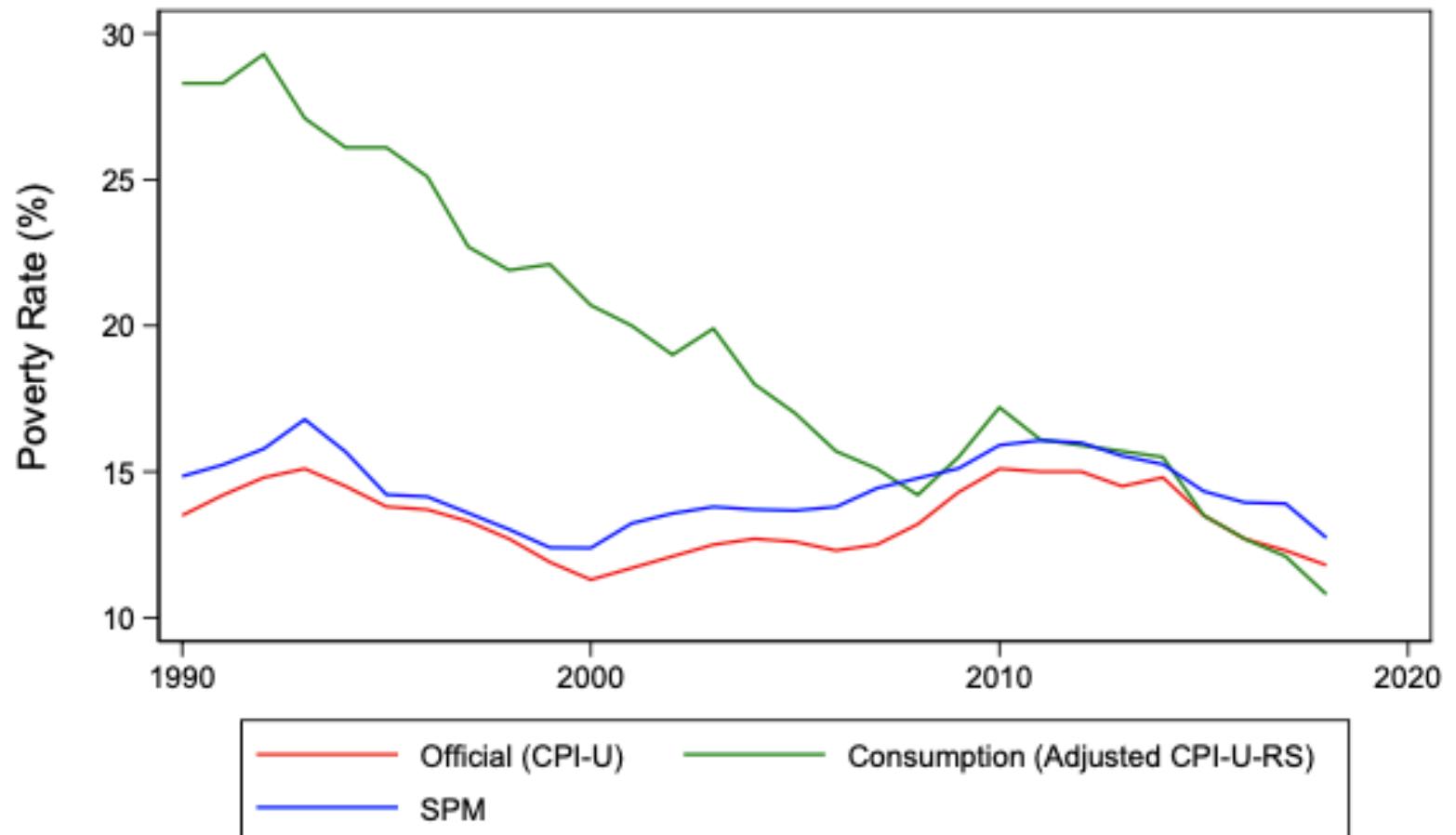
Consumption Poverty
looks a lot different

Consumption probably
better measure of
permanent income

Even more so with
income underreporting
in CPS

How much of difference
due to consumption vs.
other decisions?

Figure 1: Official, SPM, and Consumption Poverty Rates, 1990–2018



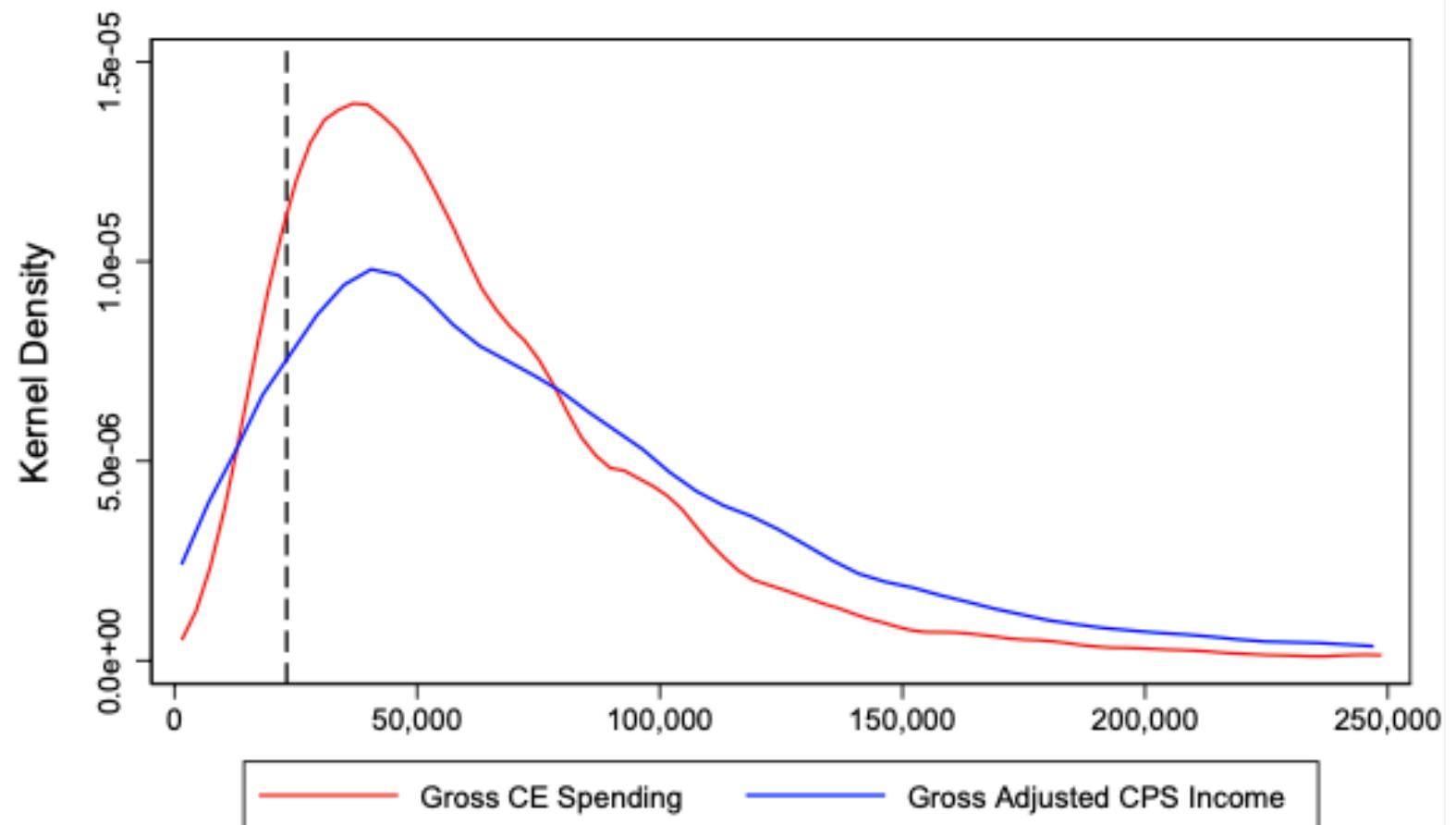
Notes: Consumption rate is anchored to 2015 Official threshold.

Sources: U.S. Census Bureau (2021), Columbia Center for Poverty and Social Policy, Meyer and Sullivan (2019).

Distribution of spending shifted relative to income

Fewer w/very low spending relative to very low income

Figure 2: Distribution of Gross CE Spending and Gross Adjusted CPS Income, 2019



Notes: Gross CE Spending is total household spending on all items in the year. Gross Adjusted CPS Income is total income in the year after-tax and with SNAP benefits added. Dashed line denotes average threshold.

	Official Poverty Measure (OPM)	Supp. Inc. Poverty Measure (SIPM)	Meyer- Sullivan Consumpt. poverty	Supp. Expend. Pov Measure (SEPM)
Cash	Cash Income	Cash income	Spend + flow	Spend + potential
Taxes	X	Less taxes (+/-)	(Implicit)	(Implicit)
In-kind	X	SNAP, housing, Meals, WIC	SNAP (in spend)	SNAP, housing, Meals, WIC
Exclusions	X	MOOP, work, childcare	X	MOOP, work, childcare
Threshold	3x Thrifty '63	FCSU+ move avg	Anchored	FCSU+ move avg
CPI	CPI-U	Geographic in-yr	CPI-U-RS – 0.8	Geographic in-yr

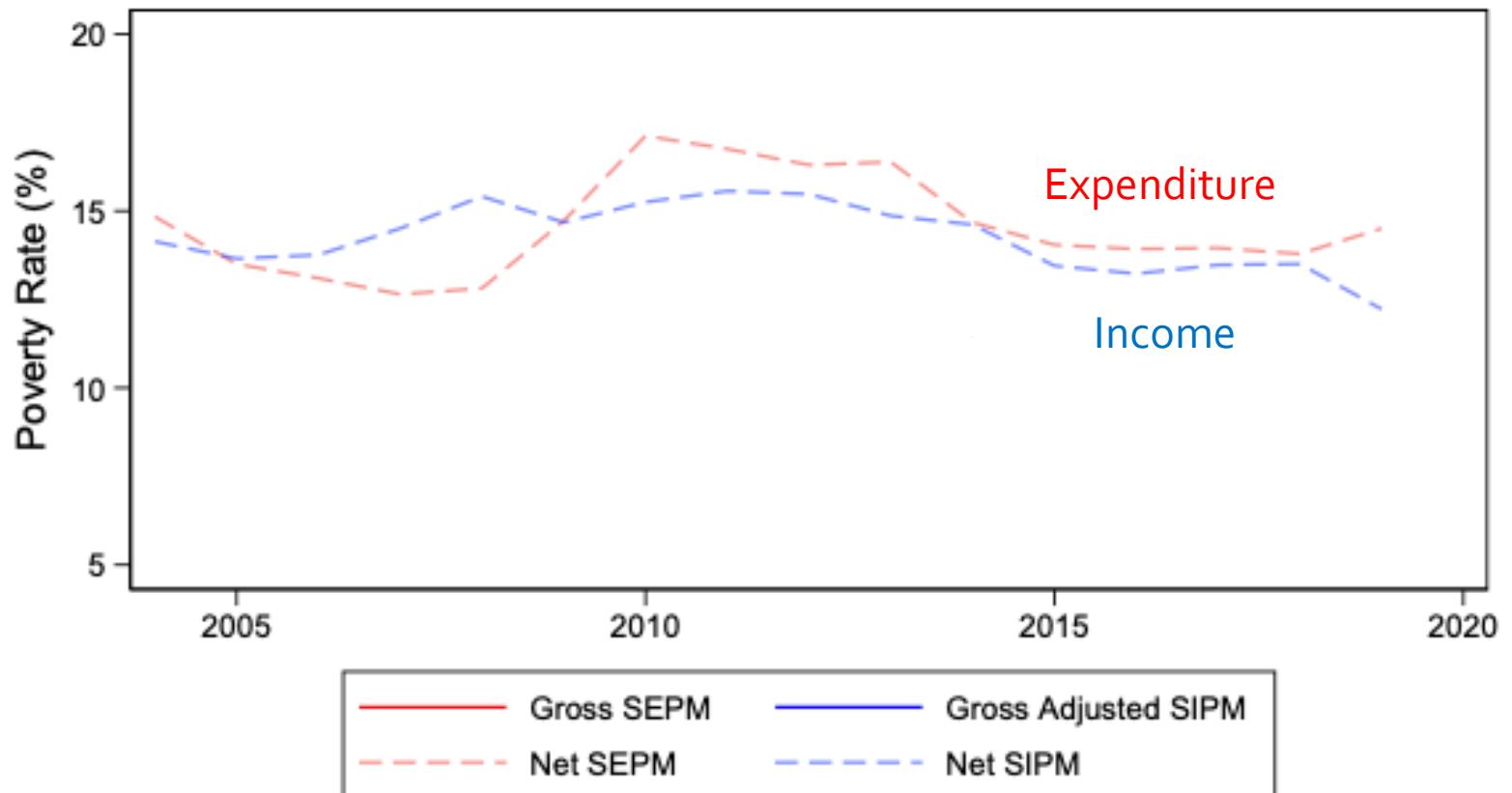
SEPM and SIPM don't look that different

Levels similar

Different behavior during great recession

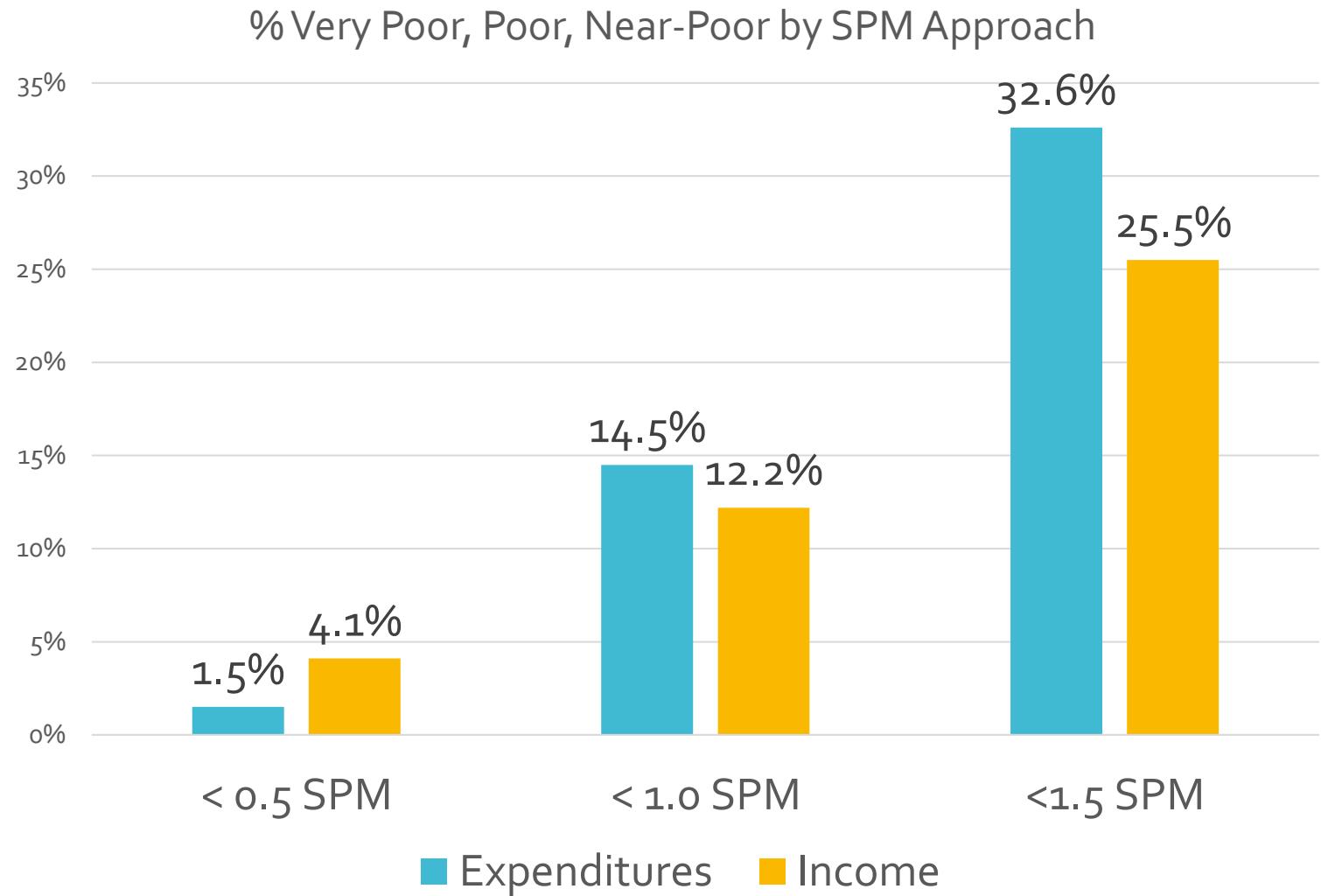
(hands above table: also without the adjustments for excluded resources – makes somewhat harder to follow)

Figure 4: SEPM and SIPM Poverty Rates, Gross and Net, 2004–2019



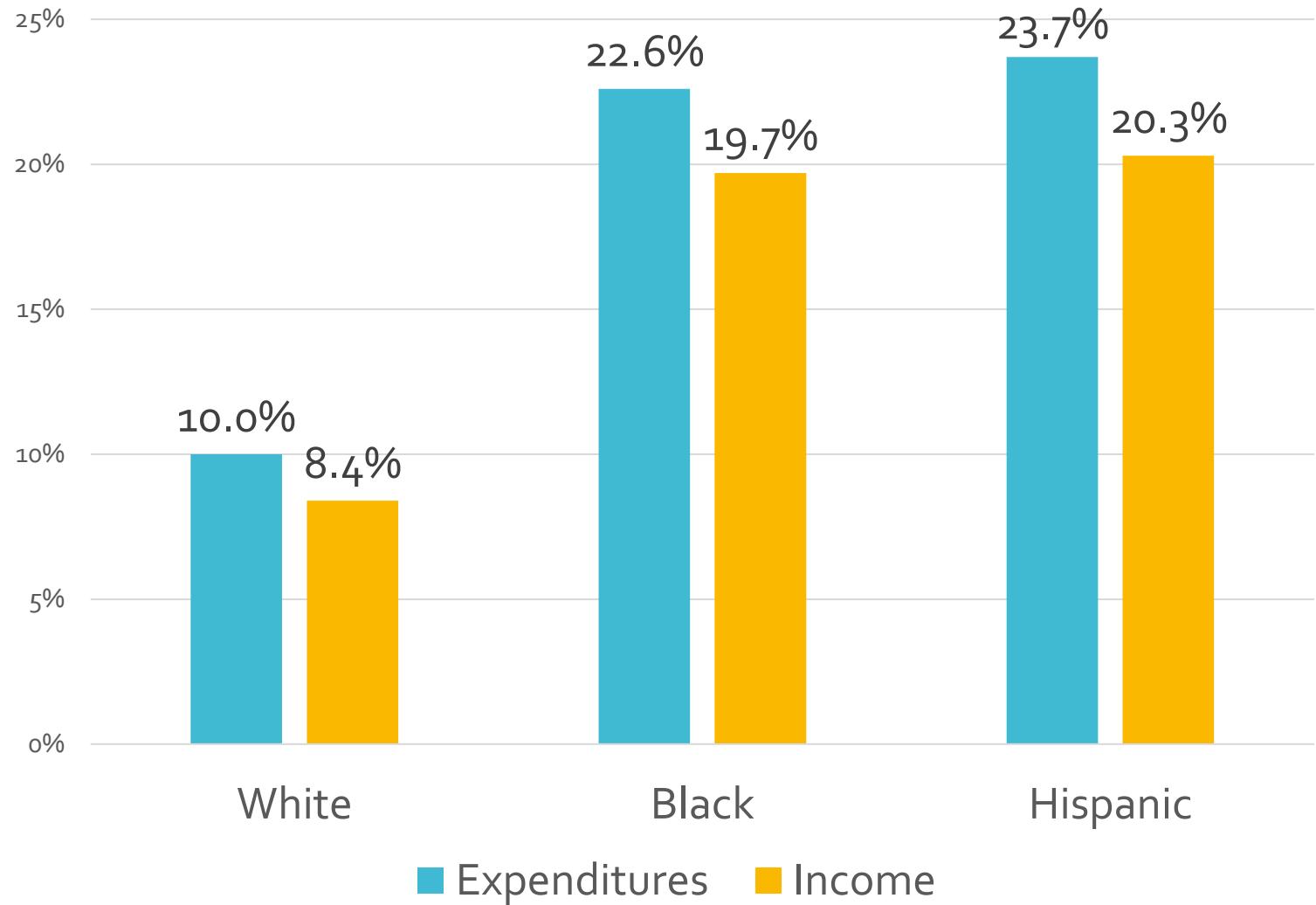
Notes: Gross SEPM poverty rate is based on total household spending on all items in the year. Gross Adjusted SIPM poverty rate is based on total income in the year after-tax and with SNAP benefits added. Net poverty rates are based on total spending and income after tax and with SNAP that include three in-kind transfers and excludes three types of capped adjustments (work-related and child care costs, child support paid, and medical out-of-pocket expense).

Depth &
distribution of
of poverty look
more different
by
Expenditures,
Income



Similar %
change across
race/ethnic
groups

larger PPT
increase for
Blacks,
Hispanics



Should we incorporate liquidity?

- Good insight to think about “potential” spending
 - Less from savings, more from unused credit cards
- Not the primary insight of this paper
 - Data not up to the task
 - Doesn’t change results much anyway

Laundry list of remaining concerns

- Measuring flow value of durable goods deserves more discussion/consideration
 - Car with downpayment and loan
 - Refrigerator bought last year on credit cards
- Add poverty status of children
- Why not net match SPM published data?
- Remaining challenges with SPM approach
 - Family definition
 - Time period (Month? Quarter? Year?)
 - Family size adjustments