

Interagency Technical Working Group (ITWG) on Evaluating Alternative Measures of Poverty: Status Report

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A Dialogue on Measuring and Reducing Child Poverty

NAS Building, 2101 Constitution Avenue, NW, Washington, DC8

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Disclaimer: This presentation represents my views of the charge to the ITWG and interim report, and not necessarily those of other ITWG members.

Acknowledgement: Thanks are extended to all ITWG members for their outstanding and continuing contributions.



The Beginning

- Representatives from 11 Federal agencies selected based on technical expertise
- Chartered by Chief Statistician of the U.S. in early 2019
- First meeting: February 14, 2019
 - ▶ Consensus decision-making
 - ▶ Bi-weekly meetings

ITWG Charge

- Evaluate possible alternative measures of poverty (as opposed to OPM and SPM)
 - ▶ Review measures developed by researchers since the issuance of the Measuring Poverty NAS report (1995)
 - ▶ Include augmented income- and consumption-based measures
- Discuss how such measures might be constructed along with justification for selection and use
- Identify how well these measures identify those who suffer deprivation (point in time, over time)
- Identify biases in alternative and current measures
- Discuss potential use of administrative data
- Focus on both resources and thresholds

ITWG Deliverables

- Interim report
- Federal Register Notice to solicit public comment
- Final report will be submitted to the Chief Statistician of the U.S.
 - ▶ Build on interim report
 - ▶ Address public comments
 - ▶ Include analyses (if needed)
 - ▶ List remaining research questions
 - ▶ Address whether the ITWG recommends producing and publishing an additional measure(s)
 - ▶ If additional measure(s) recommended, propose timelines for implementation



Current Status

- Interim Report and Federal Register Notice (FRN)
 - ▶ Released: February 14, 2020
 - ▶ <https://www.regulations.gov/docket?D=OMB-2019-0007>
 - ▶ Or search on regulations.gov using the docket number “OMB-2019-0007”
 - ▶ Comments to be received by: April 14, 2020
- ITWG continues to meet
 - ▶ Discuss details of measures and issues not fully developed in the interim report
 - ▶ Edit interim report
 - ▶ Collect public comments
- Final report expected release date: later this calendar year

Outline for Today's Presentation

- Literature reviewed
- Deciding which measure to use
- Options for measurement
 - ▶ Single dimension measure
 - ▶ Multidimensional measures
- Single dimension measure
 - ▶ Resources
 - ▶ Thresholds
- High level questions for which we are requesting feedback

Today's status report is restricted to activities through the release of the interim report and FRN.



Literature Reviewed

- Economics literature (see sources in interim report)
- Research at the federal, state, and local government levels (e.g., 11 agencies plus NYC, WIS, CA)
- International standards and recommendations
 - ▶ International Labour Organization (ILO)
 - ▶ Organization for Economic Cooperation and Development (OECD)
 - ▶ United Nations (UN) Canberra Group
 - ▶ UN Economic Commission for Europe (UNECE)
 - ▶ Other countries (e.g., UK, Italy)

How to Decide which Poverty Measure to Use?

- Appropriateness depends on the goal
- Once the goal is identified, next steps
 - ▶ Options
 - Single dimension
 - Multiple dimensions
 - ▶ Poverty concept

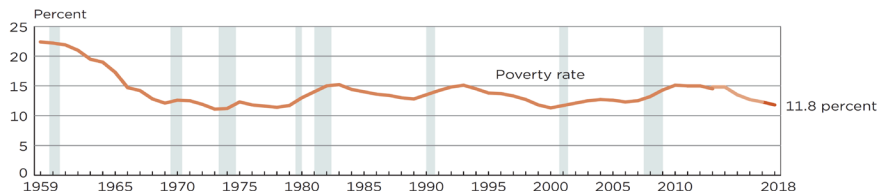
Goals of a Poverty Measure: ITWG

1. Identify who is poor



2. Show how deprivation has changed over time

Figure 7.
Number in Poverty and Poverty Rate: 1959 to 2018

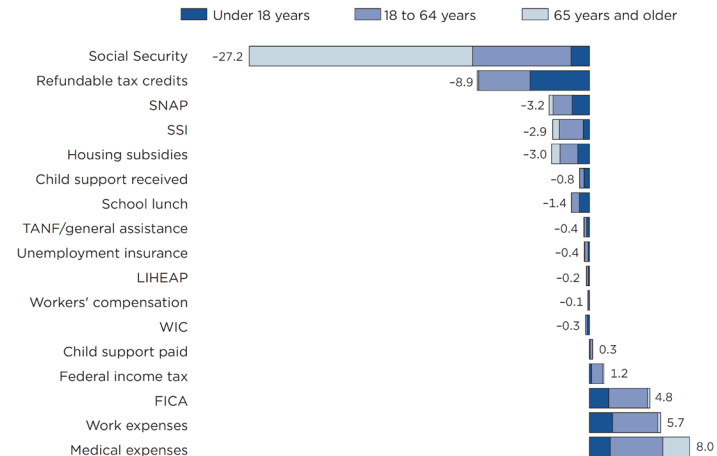


Note: The data for 2017 and beyond reflect the implementation of an updated processing system. See Appendix D for more information. The data for 2013 and beyond reflect the implementation of the redesigned income questions. The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar19.pdf>>.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2019 Annual Social and Economic Supplements.

3. Impact of public policies, and social and economic trends

Figure 8.
Change in Number of People in Poverty After Including Each Element: 2018
(In millions)



Note: For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar19.pdf>>.
Source: U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement.

Source for Figures 7 and 8 is
<https://www.census.gov/content/dam/Census/library/visualizations/2019/demo/p60-266/>



Options for Measurement

- Single dimension
- Multidimensional measures



Options for Measurement

- Single dimension

- Multiple dimensions

Example of a Single Dimensional Poverty

*“We define poverty as **economic deprivation**. A way of expressing this concept is that it pertains to people's **lack of economic resources ... for consumption of economic goods and services...** 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.” (Measuring Poverty, p. 19)*

Economic deprivation as the poverty concept being used by the ITWG.

Components of a Single-Dimensional Poverty Measure

- ▶ Resources
- ▶ Thresholds
- ▶ Statistical measure, e.g.,
 - Poverty headcount – *how many people below a threshold*
 - Poverty gap – extent to which individuals on average fall below the poverty line

Components of a Single-Dimensional Poverty Measure

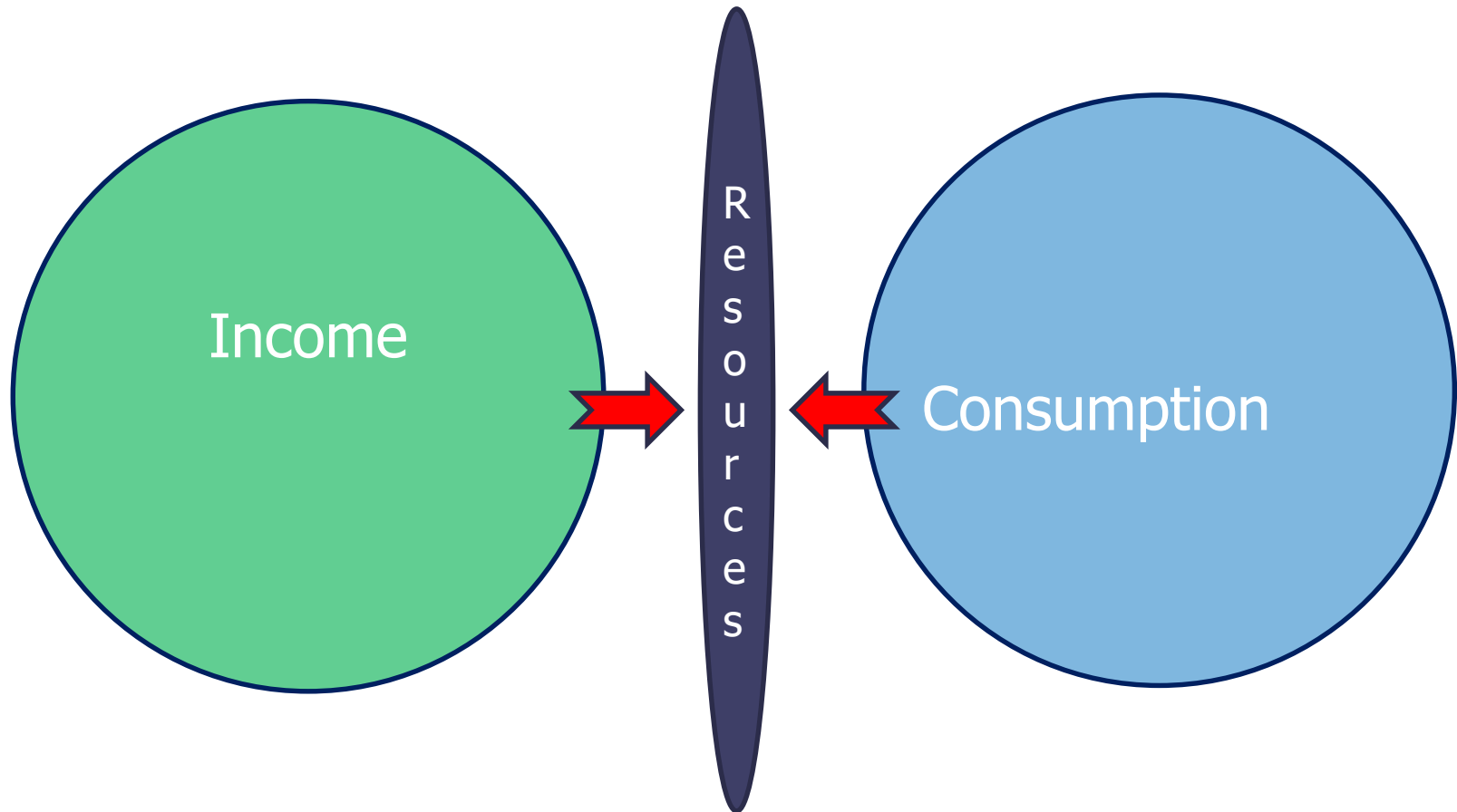
▶ Resources

▶ Thresholds

▶ Statistical measure, e.g.,

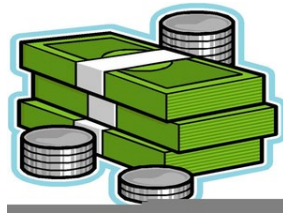
- Poverty headcount
- Poverty gap

Single Dimensional Poverty: Resources Defined in Terms of...



Both income and consumption are proxies for resources that reflect welfare or utility.
Both can provide insights regarding poverty status and economic well-being.

Resources - how we *could* live...



Money income



In-kind benefits

Income

- Conceptually, reflects short-run resources.
- Depends on
 - Current income
 - Opportunities for employment, etc.
- Examples of pros and cons
 - When measured well, can be used to identify impact of changing sources of income and direct impact of tax and transfer policies on income.
 - May be affected by temporary fluctuations that do not impact deprivation/economic well-being when one saves, or makes withdrawals from savings or used debt to fund consumption.

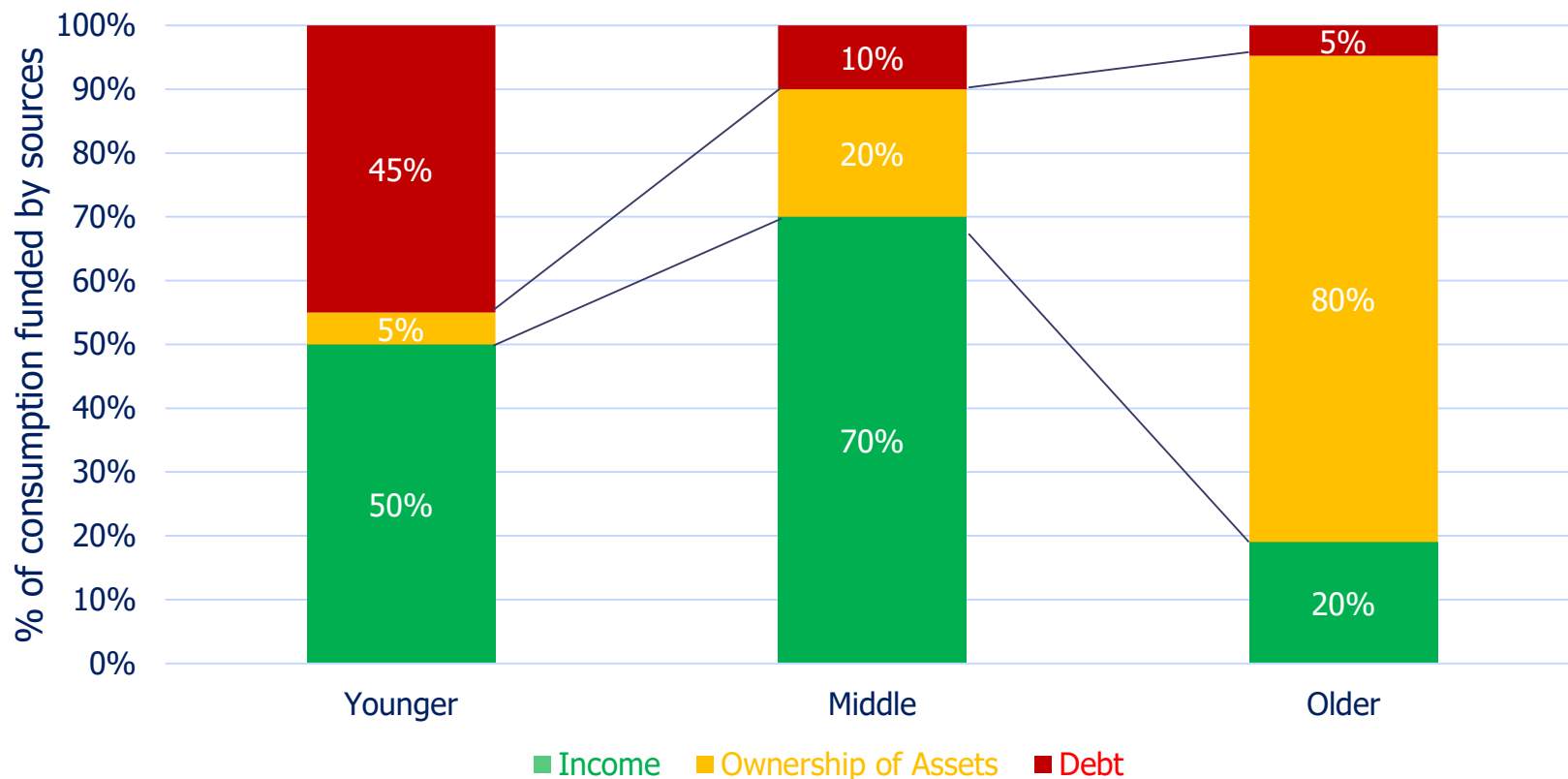
Resources - how we *do live*...



Consumption

- Conceptually reflects long-run resources and ability to smooth consumption over the life cycle.
- Depends on
 - Current income
 - Expectations about future income
 - Saving, withdrawals from savings, and debt
- Examples of pros and cons
 - Good measure to identify who is poor based on material deprivation.
 - May not be a good measure if interested in the short term impact of temporary fluctuations in income.

Example of Funding to Smooth Consumption over the Life Cycle



Focus on “Resources”

Income

- CPS ASEC, ACS, SIPP
- Before tax money income
- Income taxes
 - ▶ Paid
 - ▶ EITC
 - ▶ Additional Child Tax Credit
- In-kind benefits
 - ▶ SNAP
 - ▶ WIC
 - ▶ Housing assistance
 - ▶ School meals
 - ▶ LIHEAP
- Address misreporting

Consumption

- CE Survey
- Out-of-pocket expenditures for most goods and services
- Impute in-kind benefits not collected
 - ▶ WIC
 - ▶ School meals
 - ▶ LIHEAP
- Impute service flow values
 - ▶ Owner occupied housing
 - ▶ Vehicles
- Address misreporting

Extensive discussions regarding use of
administrative data

But What About...

Health Care

- What is it and value?
 - ▶ Investment
 - ▶ Income transfer (public/private)
 - ▶ Consumption
- ITWG leaning towards “health insurance” for income and consumption
 - ▶ Market value
 - ▶ Willingness to pay
 - ▶ Fungible value
 - ▶ Zero value

Education

- What is it and value?
 - ▶ Investment
 - ▶ Income transfer (public/private)
 - ▶ Consumption
- Would the answer differ by level?
 - ▶ Birth through less than Pk
 - ▶ Pk-12
 - ▶ Post secondary

And What About...

Assets?

- Pensions, Social Security
- Liquid assets (savings, checking, stocks, etc.)
- Non liquid assets (owned home, land, rental units, unincorporated business)
- Durables including vehicles

Liabilities?

- Property mortgage debt
- Vehicle debt
- Credit card debt
- School debt
- Medical debt

Annuitize these for an extended income measure?
Any impact on a consumption measure other than consumption flows
from owned housing and vehicles?



Challenges for Resource Measure: Implementation Issues

- Choice of survey (CPS ASEC, ACS, SIPP, CE)
 - ▶ Length and detail
 - ▶ Sample size and representativeness
 - ▶ Geography
 - ▶ Misreporting/under-estimates
 - ▶ Household surveys do not include the homeless
- Administrative data (e.g., earnings, tax, in-kind benefits)
 - ▶ Availability, coverage, quality, timeliness
 - ▶ Permission to use
 - ▶ Alignment with survey concepts
 - ▶ Disagreement between administrative and survey sources

Components of a Single-Dimensional Poverty Measure

- ▶ Resources

- ▶ Thresholds

- ▶ Statistical measure, e.g.,

- Poverty headcount
- Poverty gap

Defining Thresholds

- Setting poverty thresholds (from earlier: “*minimally adequate standard of living*”)
 - ▶ Absolute
 - ▶ Relative
 - ▶ Subjective
- Adjusting over time (use with absolute or anchored)
- Adjusting for different sharing unit (e.g., household, family, economic unit) sizes
- Adjusting across geographic areas

<Limited attention in interim report but being discussed now>

High Level Questions in Federal Register Notice



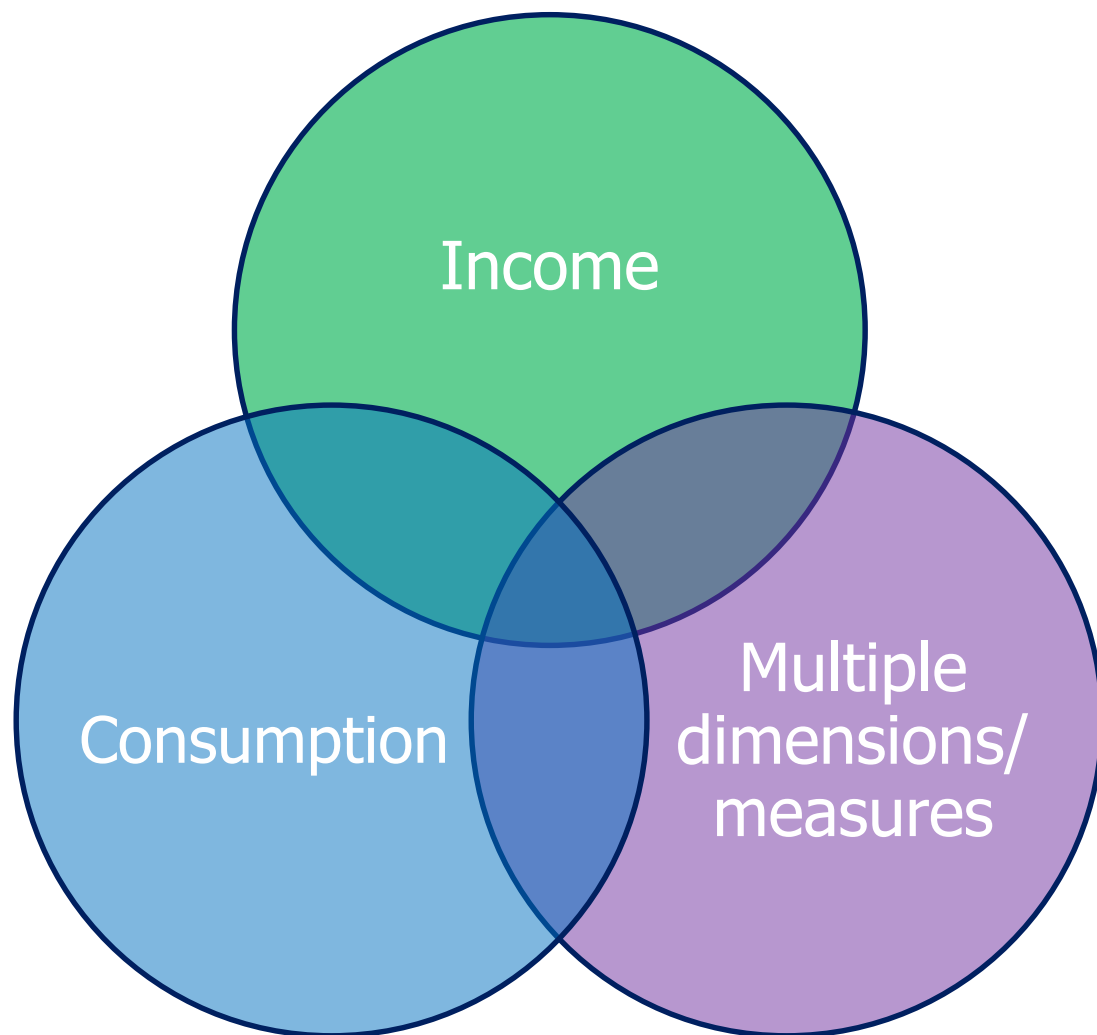
High Level Questions Related to Definitions

- How to define the sharing unit?
- How to define Resources?
 - Income
 - Consumption
 - Account for the following or not?
 - Health care
 - Education
 - Assets and liabilities
- How to define Thresholds?

Question Related to Criteria to Guide Selection

- To what extent should the following standards be considered
 - Association with other measures of material hardship

Inter-relationship of Measures



Examples of other measures

- Health
- Education
- Work housing
- Living standards
- Basic services
- Environment
- Personal security
- Food security
- Housing affordability
- Life expectancy
- Low birth weight
- Social mobility

Question Related to Criteria to Guide Selection

- To what extent should the following standards be considered
 - Association with other measures of material hardship
 - Conceptual advantages
 - Simplicity
 - Feasibility (including data availability)
 - Reproducibility
 - Timeliness vs. accuracy

Closing Remarks

- We, the ITWG, appreciate your feedback
- Please provide comments to FRN and encourage stakeholders to do so as well
 - ▶ Be concise, include citations, link to related research
 - ▶ Clearly identify which question is being addressed

Thanks for your support and input

Contact Information

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