

# Measuring Poverty

## A New Approach

Constance F. Citro and Robert T. Michael, *Editors*

Panel on Poverty and Family Assistance:  
Concepts, Information Needs, and Measurement Methods  
Committee on National Statistics  
Commission on Behavioral and Social Sciences and Education  
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This report has been reviewed by a group other than the authors according to procedures approved by a Report Review Committee consisting of members of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine.

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## PANEL ON POVERTY AND FAMILY ASSISTANCE: CONCEPTS, INFORMATION NEEDS, AND MEASUREMENT METHODS

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## Acknowledgments

The Panel on Poverty and Family Assistance wishes to thank the many people who helped make possible the preparation of this report.

An important part of the panel's work was the analysis of implementing the recommended poverty concept and alternative measures on the numbers and characteristics of people in poverty. Panel member David Betson assumed the responsibility for this work and gave unstintingly of his time, energy, and analytical skills in constructing the necessary data files and conducting an extensive series of analyses for the panel's consideration. The panel is greatly in his debt.

The data that Professor Betson analyzed were obtained from many sources, with the gracious help of the following people: Charles Nelson, Bureau of the Census, who provided several March Current Population Survey (CPS) files with the Bureau's estimates of income and payroll taxes and the value of in-kind benefits (he also briefed the panel on the Bureau's tax simulations); Pat Doyle, Agency for Health Care Policy and Research, who provided detailed tabulations of out-of-pocket medical care expenses from the 1987 National Medical Expenditure Survey; and Larry Radbill, Mathematica Policy Research, Inc., who provided analyses of data on child care and other work-related expenses from the Survey of Income and Program Participation (SIPP).

The panel conducted extensive analyses of data from the Consumer Expenditure Survey (CEX) on spending for food, clothing, shelter, and other consumption. This analysis was made possible by the hard work and expertise of staff of the Bureau of Labor Statistics, including Geoffrey Paulin, who, with input from David Johnson, prepared a large volume of tabulations; and Stephanie Shipp, who saw that the work received priority attention (she also

briefed the panel on the CEX). Lynda Carlson and Ivy Harrison of the Energy Information Administration provided useful information on transportation costs from the 1991 Residential Transportation Energy Consumption Survey. An analysis of 1990 census data on geographic variations in housing costs was carried out by Nancy Maritato, research associate for the panel, with a data file provided by Marie Peis of the Census Bureau.

The panel's consideration of using survey responses to derive poverty thresholds benefited from the availability of new data. We thank Donald Clifton, chairman, Gallup Organization, who graciously made space available in the August 1992 Gallup Poll for questions on the poverty line. We also thank Tom Smith of the National Opinion Research Center, who oversaw the addition of questions on the poverty line to the 1993 General Social Survey, and we thank the Wisconsin Letters and Survey Center, which included questions on the poverty line in its ongoing telephone survey.

During the first year of its work, the panel held meetings at which panel members and others presented papers and led discussions on various aspects of poverty measurement. These seminars were always informative and fruitful; they added greatly to the panel's understanding of the issues. We acknowledge particularly the contributions of Marilyn Moon, Urban Institute, who prepared a paper on alternative approaches to the treatment of medical care benefits and costs in a poverty measure; and Harold Watts, Columbia University, who prepared a paper on budget-based concepts of poverty.

We also acknowledge John Coder, Bureau of the Census, who reviewed data quality issues in the March CPS; Greg Duncan, Northwestern University, and Patricia Ruggles, Joint Economic Committee staff, who discussed time periods for measuring poverty; Christopher Jencks, Northwestern University, who discussed consumption and income definitions of family resources; Graham Kalton, Westat, Inc., who reviewed for us the recommendations of the National Research Council Panel to Evaluate SIPP; Brent Moulton, Bureau of Labor Statistics, who reviewed the Bureau's work to develop interarea price indexes; Kathryn Nelson, U.S. Department of Housing and Urban Development, who briefed the panel on fair market rents and income limits for housing assistance programs; Deborah Phillips, Board on Children and Families, National Research Council, who described research on poverty, child care, and families; Howard Rolston, Administration for Children and Families, U.S. Department of Health and Human Services, who briefed the panel on issues of minimum benefit standards for family assistance programs; Denton Vaughan, Social Security Administration, who described work on estimating poverty levels from Gallup Poll survey data; Daniel Weinberg, Bureau of the Census, who provided an overview of issues in poverty measurement in the United States; and Michael Wolfson, Statistics Canada, who described efforts to revise the Canadian low-income measures. Also, Vee Burke of the Congressional Research Service provided helpful comments on

the parts of our report that discuss government assistance programs; and Mary Kokoski of the Bureau of Labor Statistics did the same for our discussion of interarea price indexes.

Regular attendees at our seminars included many of the people listed above, and they and the following people contributed useful insights and perspectives in our public discussions: Richard Bavier and Paul Bugg, U.S. Office of Management and Budget; William Butz, Bureau of the Census; Eva Jacobs, Bureau of Labor Statistics (retired); Bruce Klein, U.S. Department of Agriculture; William Prosser, U.S. Department of Health and Human Services; and Kathleen Scholl, U.S. General Accounting Office. Mollie Orshansky, the originator of the current U.S. poverty measure, gave the panel her unique perspective at our first meeting.

Gordon Fisher, U.S. Department of Health and Human Services (formerly at the U.S. Office of Economic Opportunity), not only attended our seminars but provided the panel with invaluable materials on the history of poverty measurement in the United States. He deserves the thanks of all poverty analysts for assembling and preserving the detailed historical record.

The list of references in our report makes clear the extensive literature on poverty and poverty measurement on which we were fortunate to draw. We acknowledge particularly the useful material for understanding the current U.S. poverty measure and alternative measures in the studies conducted by the 1976 Poverty Studies Task Force, chaired by Bette Mahoney (U.S. Department of Health, Education, and Welfare) and by the Expert Committee on Family Budget Revisions (1980), chaired by Harold Watts. Pat Ruggles' recent book, *Drawing the Line: Alternative Poverty Measures and Their Implications for Public Policy* (1990), is another invaluable review of issues and alternatives. We mention above Gordon Fisher's contributions, which are also cited in the reference list.

Daniel Weinberg and Enrique Lamas, Bureau of the Census; John Holmes, Bureau of Labor Statistics; and Leonard Sternbach, Administration for Children and Families, U.S. Department of Health and Human Services, were the contract monitors and liaisons for the study. They assisted the panel in obtaining needed information and keeping the project on track and by their participation in our public meetings.

An important debt of gratitude is owed to the panel's own staff. Nancy Maritato, who served as research associate, worked closely with the study director on all aspects of the project. She prepared background materials on a wide range of subjects: alternative poverty threshold concepts, subjective measures of poverty obtained from survey responses, geographic variations in living costs, alternative definitions of family resources, poverty indexes, and the incentive effects of government assistance programs. As noted above, she conducted analyses for the panel of interarea housing cost differences, and she worked closely with Bureau of Labor Statistics staff in developing the expenditure

information that formed the basis of the panel's recommended threshold concept.

Elaine Reardon, who served as the panel's Chicago-based research associate, provided me with efficient and resourceful assistance. In addition, she prepared background material on alternative equivalence scales for adjusting poverty thresholds by family type and on the effects of poverty and government assistance on children.

Agnes Gaskin served ably as the panel's project assistant. She dealt admirably with the logistics of the panel's numerous meetings and the voluminous materials that the panel generated over the course of the project, culminating in this report. Agnes was assisted at one time or another by virtually all the project assistants of the Committee on National Statistics.

We are very grateful to Eugenia Grohman, Associate Director for Reports of the Commission on Behavioral and Social Sciences and Education, for invaluable assistance in helping the panel organize a large volume of technical material into a coherent and readable report and in shepherding the report through the review and production processes at the National Research Council.

Of course, individual panel members made impressive contributions to the study. Several of them led seminars and prepared background materials and chapter drafts on particular topics; others participated in a working group to explore the relationship of a statistical poverty measure to eligibility standards for government assistance programs; and all contributed a high level of critical thinking and concern for the difficult issues we faced.

Finally, I want to say on behalf of myself and the panel that it has been a joy to work closely with such a fine professional as our study director, Connie Citro. It is she who deserves a disproportionate share of any credit due this panel.

ROBERT T. MICHAEL, *Chair*

Panel on Poverty and Family Assistance