



INSTITUTE *for*
RESEARCH *on*
POVERTY

UNIVERSITY OF WISCONSIN-MADISON

Perspectives on Measuring Poverty in the US

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for
Teaching Poverty 101
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Orientation

- Purpose of workshop
- Your role as students and ours as course organizers
- Learning from each other
- Course materials and the website
- Formation into groups

What is Poverty?

- Defined: a state of economic or material hardship
- Poverty status is a social indicator—a ‘WHAT’
- The more difficult question is ‘WHY’ are people poor:
 - Individual factors:
 - People of working age have few skills, hence low pay
 - Is there a lack of personal responsibility or effort?:
 - Structural factors:
 - Entry barriers related to race and ethnicity and incarceration
 - Economic recession
 - Cultural factors:
 - Norms and attitudes
 - Policy-related factors:
 - Are government support policies too stingy?

Why poverty matters

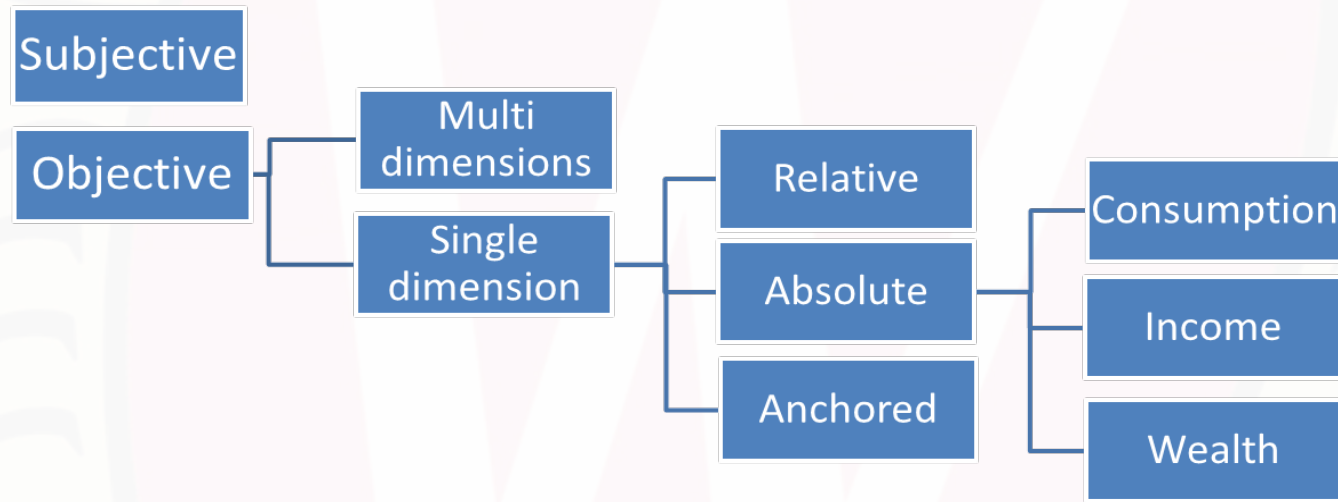
- Negative effects on individuals and self efficacy
- Moral/ethic arguments—justice
- Economic and social costs:
 - Negative impact of child poverty on society's future (children as social investment)
 - Negative consequences for communities (e.g., crime, blight, low property values)
 - Costs to other social systems (e.g., income support, incarceration, child welfare)
- Others?

So, why do we measure poverty?

Despite limitations, economic poverty measures are a powerful tool:

- **To highlight economic disadvantage and make comparisons** over time, across place and vulnerable groups (children, elderly, immigrants, minorities)
- **To help set eligibility and benefit standards for programs and public policies aimed at the disadvantaged**
- **To assess the effects of programs and policies to alleviate poverty and to increase economic well-being, and therefore to inform policymakers and the public about program anti-poverty effectiveness**

Conceptualizing Poverty Measurement



“Poverty” is an inherently vague concept, and developing a poverty measure requires a number of relatively arbitrary assumptions---Blank, 2008

Source: Adapted from Shatakshee Dhongde presentation, “Measuring Multidimensional Poverty in the U.S.”, March 20, 2013, Institute for Research on Poverty, UW-Madison.

Inequality

- Relative poverty as link to lower end inequality, via this measure
- The near poor and the decline of the middle class—incomes 100-200 percent of poverty
- How about upper end inequality ?
- Inequality of outcome vs. inequality of opportunity

The Current Federal Government Measure

- It is:
 - Objective
 - Single dimensioned (before tax money income)
 - Absolute (adjusted annually for price changes)
 - Compares Income to Needs (adjusted for family size)
 - Old (created in 1960s using 1955 data)
 - Excludes many tax and noncash benefits used to fight poverty
 - Excludes cost of working
 - Same value everywhere in the country (NY City; Fort Smith, Arkansas; and Clanton, Mississippi)

What is the Official Poverty Measure?

- A family is poor if their family income is less than the federal poverty threshold
 - Poverty lines vary by family size and are adjusted for changes in prices each year
 - Based on the cost of food in the 1960s (multiplied by 3)
- Poverty is a *family* concept—all persons in the same family have the same poverty status

1 parent, 1 child	\$15,504
1 parent, 2 children	\$18,123
2 parents, 2 children	\$22,811

By comparison, 2011 median family income was \$50,054.

The Original Poverty Measure—A Little History

- 1965, the War on Poverty, and Mollie Orshansky
- In 1963 *Social Security Bulletin*, she first described her income poverty concept and applied it to families with children.
- In 1965, also in the *Bulletin*, she presented a refined version of her measure and described the poverty thresholds.
- Four months later, the Office of Economic Opportunity adopted her measure as a quasi-official national definition of poverty.

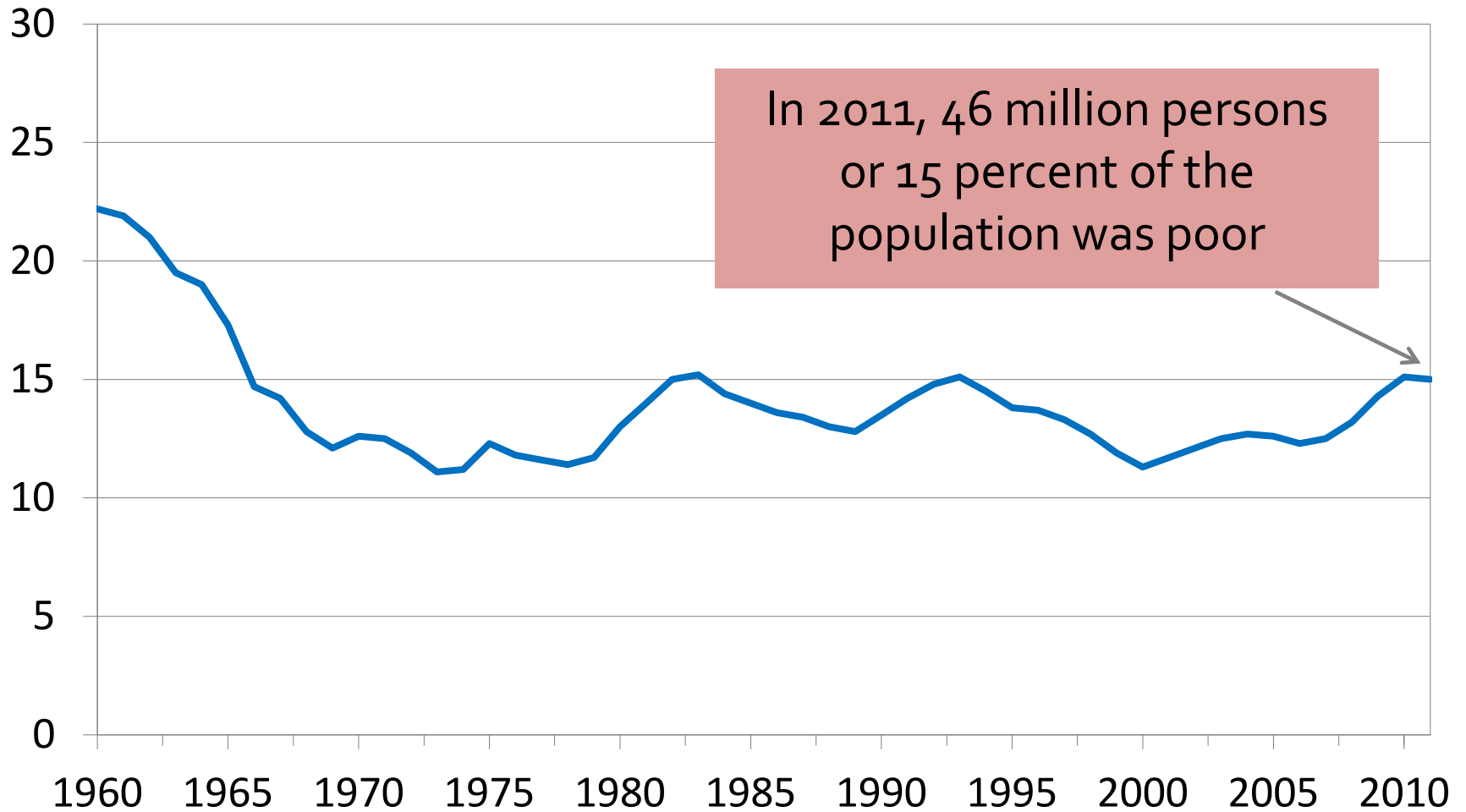


The Official Poverty Measure— Assumptions

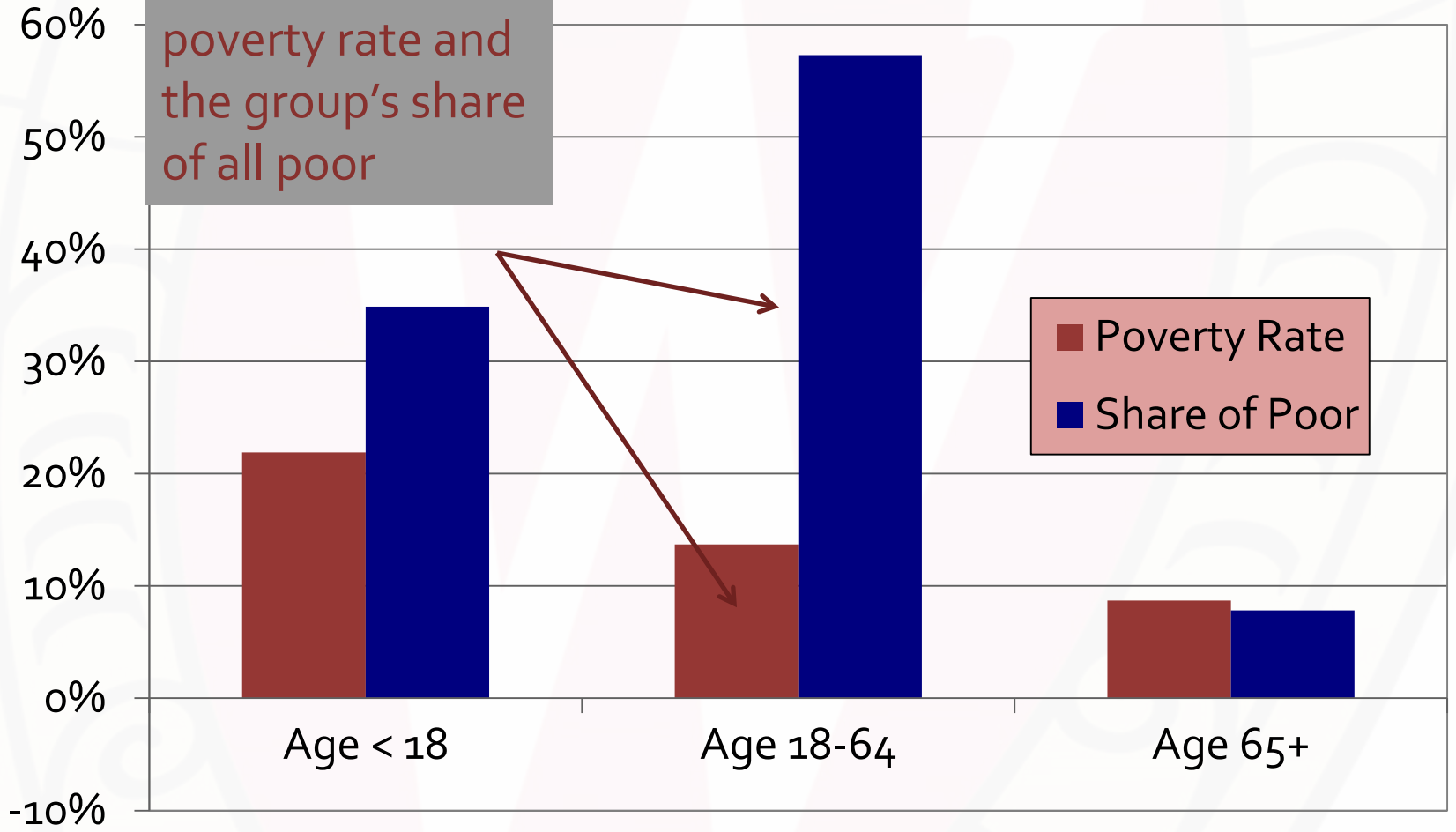
- Needs-adjusted annual household pre-tax income is a good proxy for *longer-term* well-being (or access to resources).
- **Markets work**, so that cash income can buy things—the absence of which makes people ‘deprived’.
- Being poor means having cash income below a **needs standard** based on an arbitrary food consumption rule.
- Income needs differ by **family size** in a very particular way.

THE MEASURE IS CONTROVERSIAL!!!

Poverty Rate, All Persons

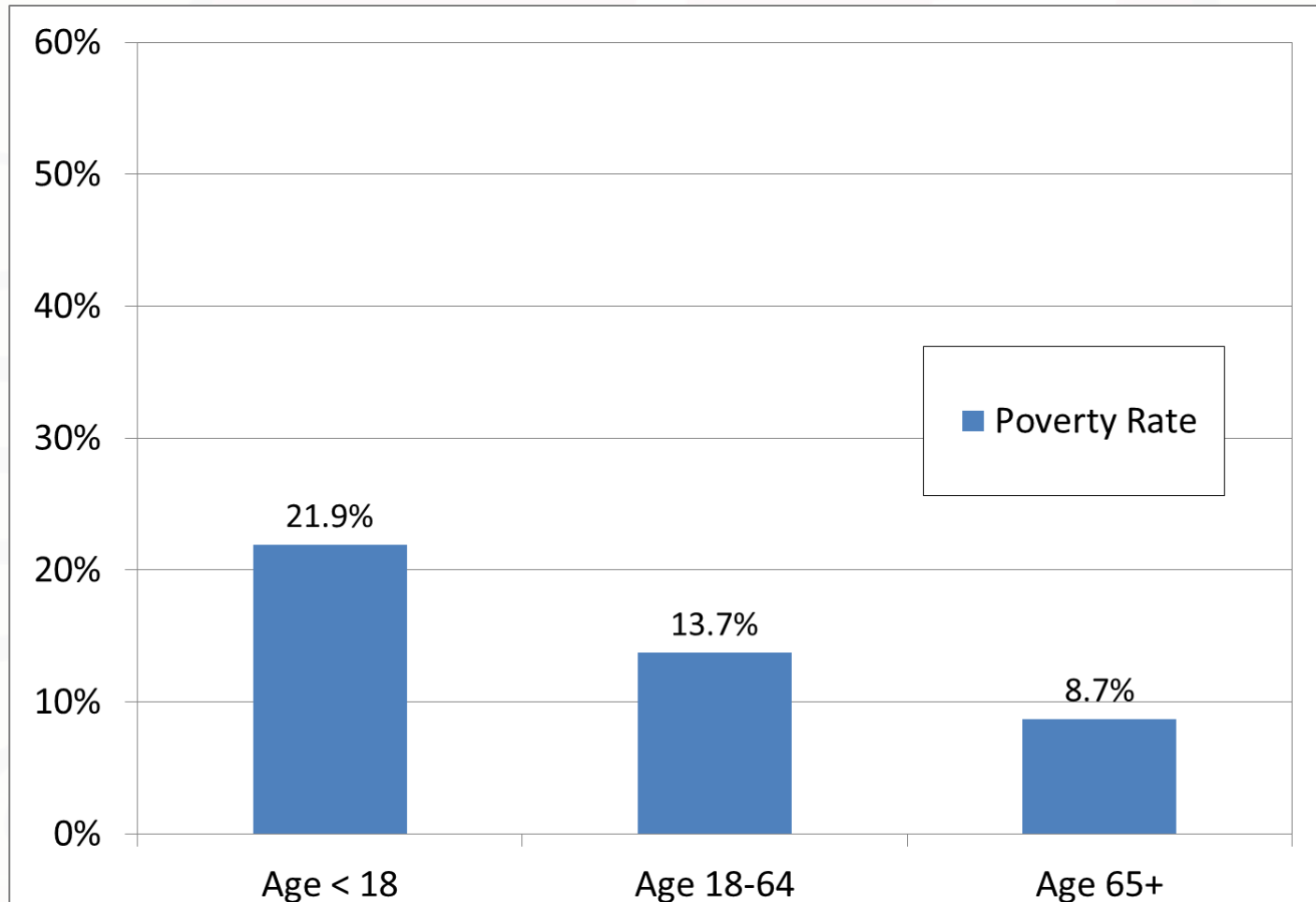


Note the differences between the poverty rate and the group's share of all poor



■ Poverty Rate
■ Share of Poor

Children have the highest poverty rates



Concerns about the Official Measure

- Is gross cash income an appropriate indicator of 'resources'? How about taxes? And food stamps, Medicaid, housing subsidies, and the EITC?
- Isn't income often temporarily low?
- How about those with plenty of resources who voluntarily have low income?
- Shouldn't other family circumstances—health status, assets, housing conditions—be considered?
- Shouldn't the threshold be updated regularly to reflect changes in overall living standards (and not only price levels—see next slide)?

A Variety of Research Approaches to Improving the Poverty Measure

- **Efforts to develop a more comprehensive income measure, including in-kind transfers and taxes; the National Academy approach (more below)**
Citro and Michael (1995)
- **Consumption rather than income; it is a more permanent indicator of 'well-being'**
Slesnick (1993), Meyer and Sullivan (2006) ; Fisher, et al. (2013)
- **'Capability to Earn Income' better reflects permanent human and financial capital**
Haveman and Bershader (1995, 1997)
- **Asset poverty—For example, can the family live at poverty line from liquid assets for three months?**
Haveman and Wolff (2005); Brandolini, Magri and Smeeding (2011)
- **Subjective poverty (van Praag)—Is income sufficient to meet peoples' view of the "minimum necessary" level?**
Goedhart et al. (1977), Hagenaars (1986, 1988)
- **Time poverty**
Burchardt, 2008 <http://www.jrf.org.uk/publications/time-and-income-poverty>

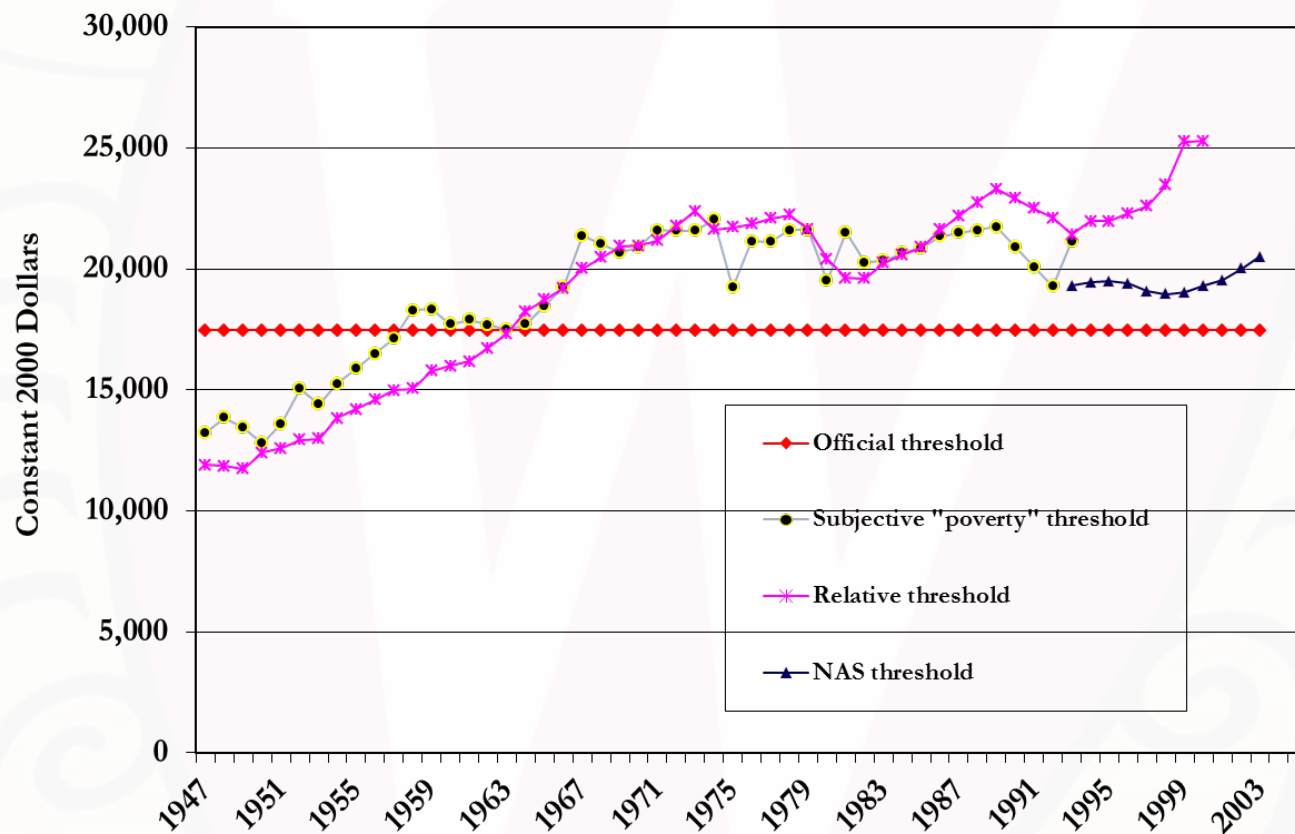
And some video support: how is poverty measurement changing in the US?

- Poverty measurement video from Half in Ten, available at:
<http://www.youtube.com/watch?v=ChRKbTgZLYo>)
- Poverty in America:
<http://www.npr.org/series/155932539/poverty-in-america>
- Should we change the poverty measure? The West Wing political moment below:
<http://www.youtube.com/watch?v=VdeeF3-5CaE>

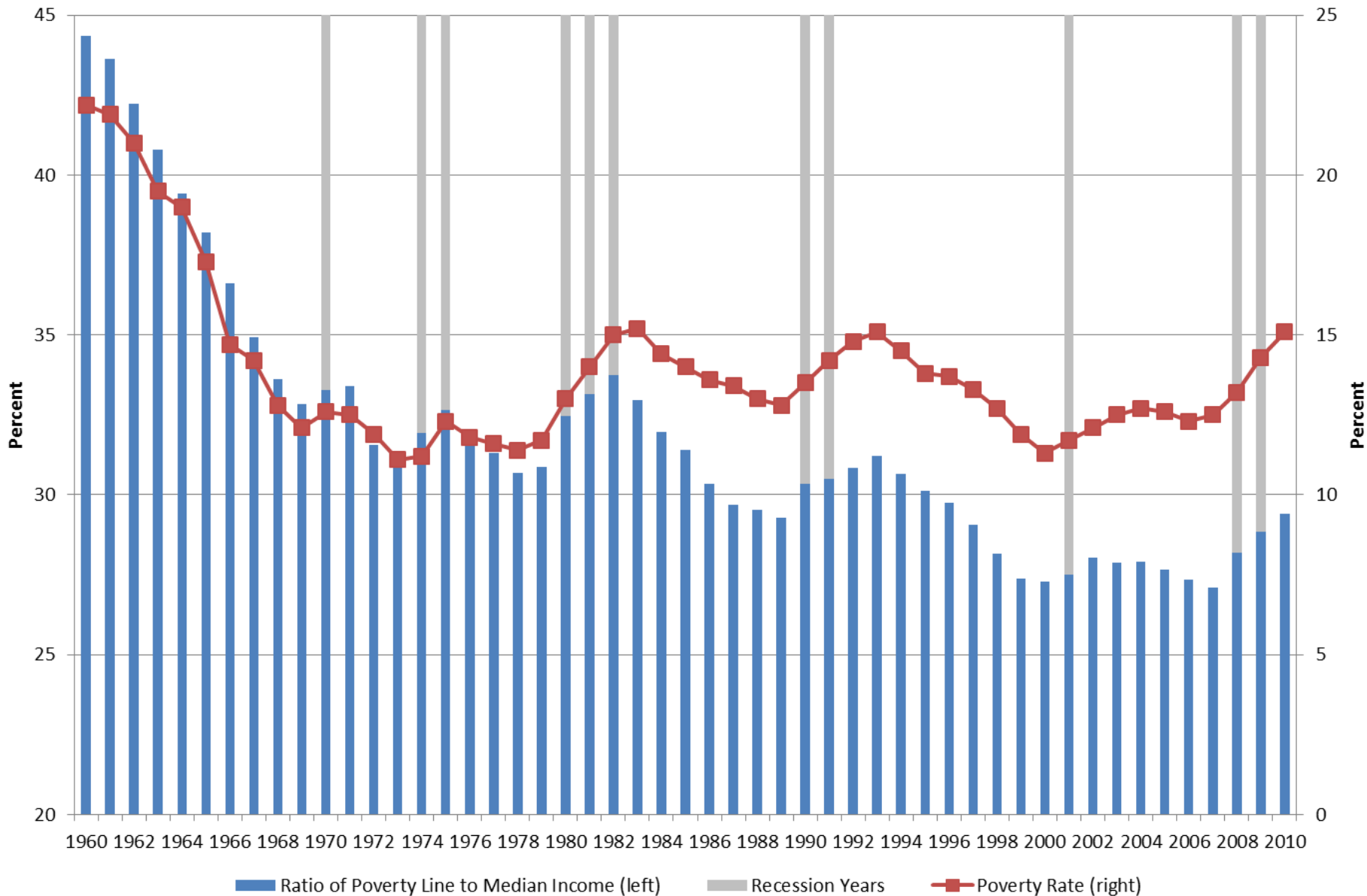
Shouldn't the Poverty Measure be a Relative Measure?

- In the UK and the EU the basic income poverty measure is a relative measure.
- In Europe, the threshold is taken to be 60 percent of median equivalent income.
- Hence, the threshold moves up, or down as median income increases, or decreases over time.
- The United States also has a supplemental poverty measure that is semi-relative—moving with the consumption of necessities by lower income families

Poverty Thresholds for 4-person Families, 1947-2003 (from John Iceland)



Poverty Rate 1960 -- 2010: Official Poverty Rates and Ratio of Poverty Line to Median Income Across Recessions



How about both relative and positive measurers together? The idea of anchored poverty

- Relative (semi-relative) poverty (incomes less than half the median) over, say, 10 years—answers the question ‘how do lower income families do relative to the average (median family)?’
- Anchored poverty—takes the relative (semi-relative) poverty line 10 years ago and prices it up year-to-year like an absolute poverty line—answers the question ‘is the standard of living of low-income people increasing or decreasing over time?’

Some Correlates of Living in Poverty

- Adults
- Children
- Elders
- Neighborhoods

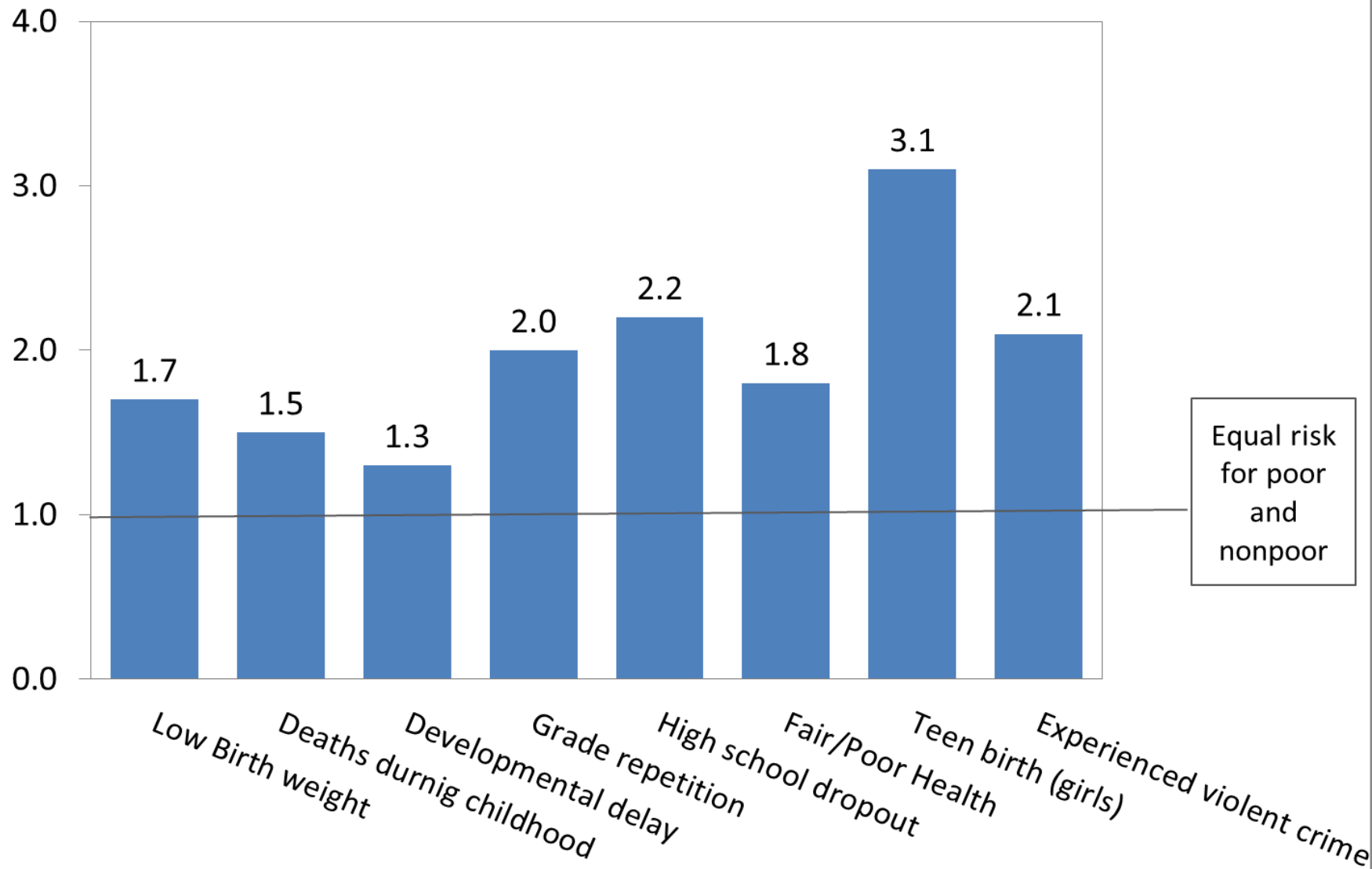
Why are Adults living in poverty?

- Un- or Underemployed
- Low wages if working
- Reliant on public income support
- In poorer health (perhaps disabled?)
- Poorly served by public services
- Less involved in community and school organizations
- Discouraged and disheartened

Children who grow up poor are more likely to:

- Not attend preschool
- Perform worse in school
- Drop out of high school, have lower educational attainment
- (Girls) Have a teen birth
- (Boys) Be incarcerated
- Live in poverty as adults
- Receive government assistance as adults
- Have connection to the child welfare system
- Have worse health and shorter life expectancy

Risk of adverse outcome for poor / nonpoor children



Source: Greg Duncan and Katherine Magnuson "The Effects of Poverty on Children," The Future of Children, 1997.

Elders who are poor are --

- Older
- Likely single people living alone
- Exhausted assets
- Poorer health
- Incapable of doing all normal tasks of daily life without the help of others (family, friends, paid caretakers)
- At risk of institutionalization (SNFs)

Neighborhoods with High Poverty Rates tend to be:

- More dangerous
- Poorer schools
- More run down
- Poorer housing quality
- Fewer community services and amenities
- More discouraged people

More from class

- What have we missed?

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