



What Does it Mean to be Poor in a Rich Society?

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Robert Lampman

- Gentle, Incisive, Patient, Encouraging
- True mentor
- Father to an entire generation of poverty researchers
- Role model
- Friend





Bob Lampman and Poverty Policy

- An Economist with a Policy-driven Research Agenda
- Two Central Questions
 - ❖ Target Efficiency of Public Transfers
 - ❖ Measurement of Poverty



Bob Lampman on Poverty Measurement

- ❖ Being poor means being short of money.
- ❖ Annual income should be the indicator of a family's access to resources.
- ❖ Income should be compared to an absolute poverty line (adjusted for family size).
- ❖ Income below the line indicates being in poverty.

These same principles underlie the nation's official measure of poverty.



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.

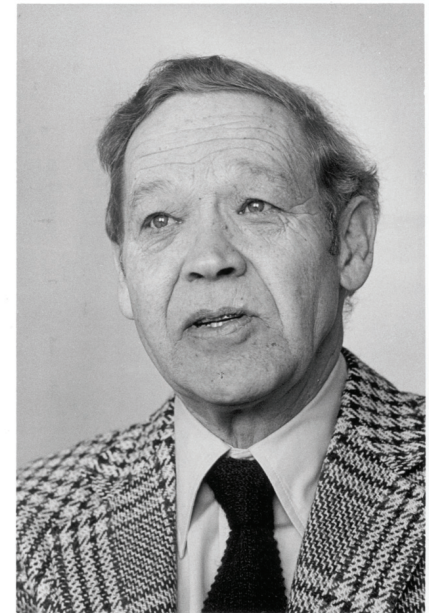




In Defense of an Absolute Income Poverty Measure

“While income poverty is a relative matter, I do not think we should engage in frequent changes of the poverty lines, other than to adjust for price change. As I see it, the elimination of income poverty is usefully thought of as **a one-time operation in pursuit of a goal unique to this generation.**”

Robert Lampman (1971)





The U. S. 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 those 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!!!



Some Issues with the Official Measure

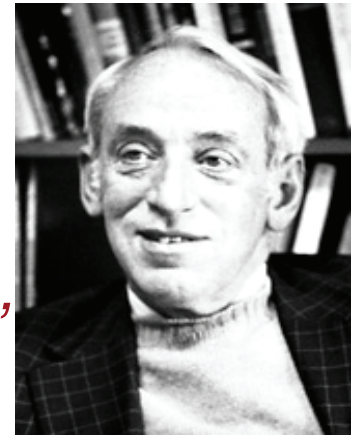
- Is gross cash income an appropriate indicator of 'resources'? How about taxes? And food stamps, Medicaid, housing subsidies, and the EITC?
- Isn't income often temporarily low?
- Shouldn't the definition of resources reflect assets?
- Don't people underreport their income?
- How about those with plenty 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?



The Impact of the Measure: “What does it do for the poor?”

Because of this official measure “no politician will be able to . . . ignore the repeated solemn acknowledgments of society’s obligation to its poorer members”

James Tobin (1970)



“The best that can be said of the measure is that at a time when it seemed useful, it was there.”

Mollie Orshansky (about 1970)



An Overview of the Talk

- I first review past efforts to address some of the criticisms of the official income poverty line.
- I then make the case that people who are deprived of dimensions of life thought to be ‘essential’ in a rich society—quality education, health and health care, employment, housing, access to public benefits, and social contacts—are also ‘poor’.
- Hence, income-based measures are too crude to effectively capture what it means to be poor in America.
- I show how social scientists in the UK and the EU have made advances in developing a more full-bodied poverty measure.
- I recommend that U.S. social scientists should follow their lead, and conclude with a modest proposal.



Most Research has Focused on Expanding the Concept of Resources

- A more comprehensive income measure, including in-kind transfers and taxes
Smeeding (1975, 1977); Citro and Michael (1995)
- Consumption is a more permanent indicator of ‘well-being’
Mayer and Jencks (1992), Slesnick (1993), Meyer and Sullivan (2003, 2006)
- ‘Capability to Earn Income’ better reflects permanent human and financial capital
Sen (1983, 1997), Becker (1965), Haveman and Bershadker (1995, 1997)
- Asset poverty—For example, can the family live at poverty line from assets for three months?
Sherraden (1991), Oliver and Shapiro (1997), Haveman and Wolff (2005)
- Subjective poverty (van Praag)—Is income sufficient to meet peoples’ view of the ‘minimum necessary’ level?
Goedhart et al. (1977), Hagenaars (1986, 1988)

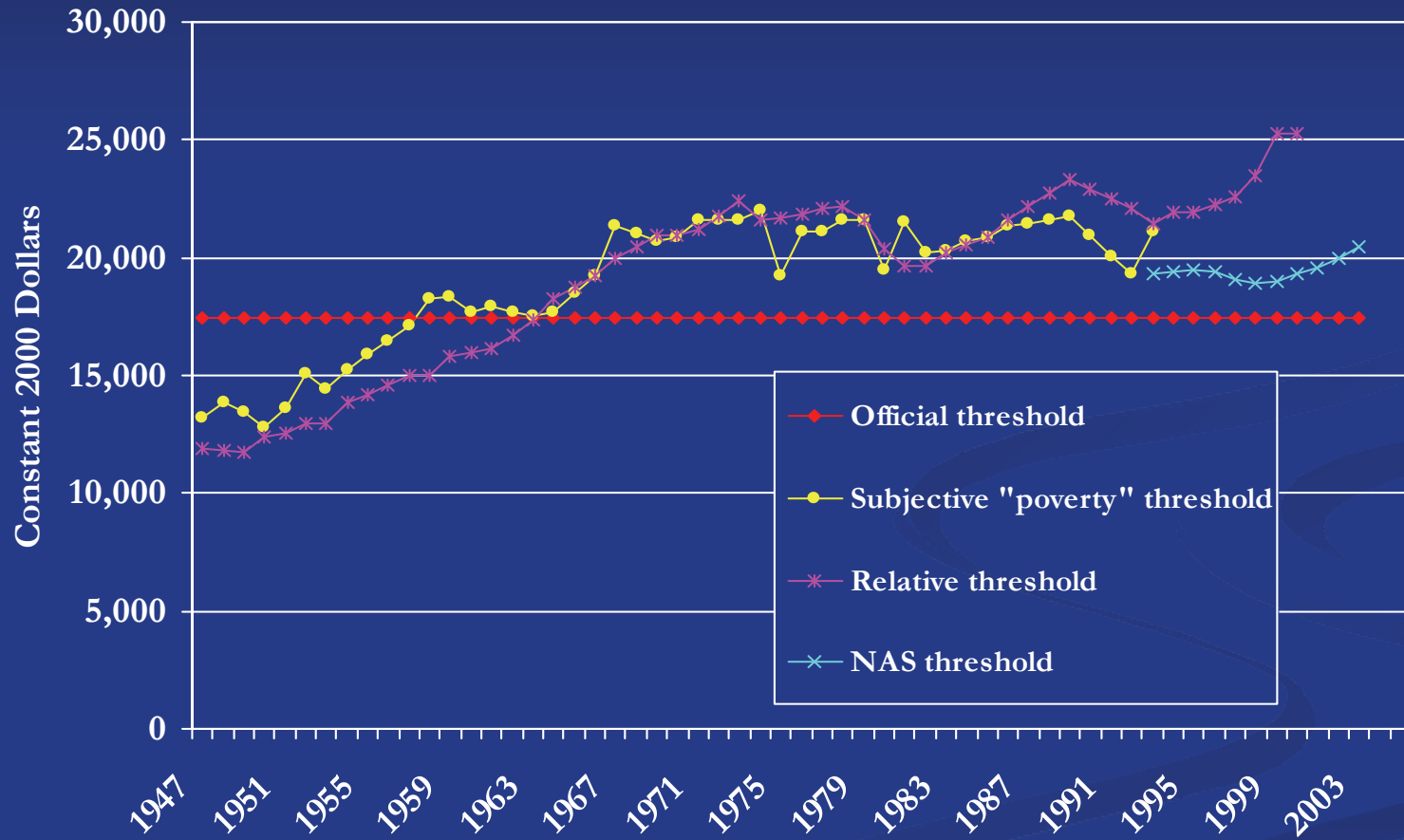


Shouldn't the Poverty Measure be a Relative Measure?

- 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 as median income increases over time.

Poverty Thresholds For Four-Person Families, 1947-2000

(from John Iceland)





Different Measures Matter

- With several of these ‘expanded income’ poverty measures, the composition of poverty is more heavily concentrated among
 - ❖ Racial minorities
 - ❖ Less educated
 - ❖ Nonaged female heads with children.
- Over time, trends in the poverty rate tend to be less favorable with these measures.



The Conceptual Case for a More Full-Bodied Poverty Measure

- Markets fail because of lack of information, externalities, and discriminatory practices.
- Hence, for many, feasible income increments cannot secure a number of essential elements of well-being, including:
 - ❖ quality education for one's children
 - ❖ health care
 - ❖ adequate housing in a safe neighborhood
 - ❖ information on available public benefits
 - ❖ social contacts
- Moreover, because wellbeing includes both TIME and MONEY, securing income by working requires time that may be used to secure these other aspects of well-being (e.g., adequate care and supervision of children).



Toward a More Full-Bodied Poverty Measure

- There has been substantial research and data collection to enable a broader measure of poverty in UK and EU.
- Anthony Atkinson and Amartya Sen are among the prominent intellectual leaders.
- Research has been both conceptual and empirical.



Atkinson on 'Social Exclusion' Poverty

- *relativity* (one must decide which elements of a socially-acceptable minimum level of wellbeing count)
- *agency* (one must identify an action—by the person excluded, others or society—which has resulted in exclusion)
- *dynamics* (being excluded implies a lack of long-term prospects)



Implication of Atkinson Principles

- Being long-term unemployed due to of lack of aggregate demand or changing technology or employer discrimination indicates social exclusion; being long-term unemployed because of high reservation wages or tastes does not.
- Failure to receive public benefits for which one is eligible due to lack of information, the time costs of applying, or stigma associated with receipt indicates social exclusion.
- Having inadequate housing, health care, credit, or insurance because of explicit actions by property owners or banks indicates social exclusion.



Developments in the UK and the EU

- In Europe and the UK, concerns with the many dimensions of poverty has played a greater role in efforts to measure poverty than it has in the US.
- Although relative 'income poverty' measures (e.g., 60 percent of median income) are widely used in both Europe and the UK, many social scientists and policy makers are disturbed by the limited picture of 'disadvantage' that they convey.
- Both social scientists and governments have made the case for a broader measure of poverty.



In the UK:

- A number of prominent studies have attempted to estimate multidimensional poverty.
Barnes (2002), Burchardt et al. (1999, 2002)
- Large investments in longitudinal surveys that inquire about a variety of nonincome aspects of wellbeing.
 - ❖ British Household Panel Survey and the Poverty and Social Exclusion Survey
- In the 1990s, Tony Blair described social exclusion as “the greatest social crisis of our time.”
 - ❖ A Social Exclusion Unit was established in 1997 as a Cabinet office headed by a Minister.
 - ❖ Replaced in 2006 by the Social Exclusion Task Force, also headed by a Minister.



UK Reports

- Beginning in 1999, the 'Unit' has published several reports presenting more comprehensive measures of poverty entitled "Opportunity for All".
- The 2007 report included 41 primary indicators, and 59 total indicators of deprivation.
- They range from low income, to access to services, to health, to education, to social isolation.
- The reports present statistics on the extent to which households fail to meet standards in these various dimensions.
- The reports themselves indicate the government's commitment to annually monitor the state of poverty and social exclusion through a set of quantitative indicators.
- As Tom Corbett has reminded me, in a real sense this sounds a lot like the Social Indicators movement in the U.S. in the '60s and '70s.



In the European Union

- The EU has also initiated action to develop social exclusion poverty measures.
- The goals are:
 - ❖ to develop data and information that would enable the measurement of a variety of aspects of well-being in addition to financial resources.
 - ❖ to establish a formal protocol for measuring poverty and social exclusion across the members of the EU.
- Again, large investments in longitudinal data inquiring into a range of living conditions.
 - ❖ European Community Household Panel by Eurostat providing comparable microdata on living standards across the members of the EU (1994-2001).
 - ❖ This was followed by European Union Statistics on Income and Living Conditions (EU-SILC) which collected comparable cross-section information on income, poverty, social exclusion and other living conditions across the EU nations.



EU Reports

- A 2006 EU report presents a list of 11 primary indicators of poverty and deprivation, and includes country-specific information on six indicators, including gender/age breakdowns.
 - ❖ a relative income poverty rate
 - ❖ a persistent relative poverty rate
 - ❖ a relative median poverty risk gap
 - ❖ long term unemployment
 - ❖ living in jobless households
 - ❖ early school leavers not in education or training
- Information on a variety of other measures of inclusion and hardship are also published, as well as summary annual statistics on the inequality in the distribution of income.



So, what does this imply?

- A **judgment**—while an income poverty measure may have well served western nations a half-century ago, today additional considerations must be considered:
 - ❖ attaining minimum standards of food and shelter
 - ❖ sufficient available time for home production/child care
 - ❖ access to important social institutions
 - ❖ cognitive and non-cognitive skills
- A **recognition**—rich western societies need vastly improved information on nationally-representative households, hopefully measured longitudinally.



TOWARD MEASURING THE MANY DIMENSIONS OF LOW WELL-BEING IN THE US: A Modest Proposal

➤ PROPOSAL

- An official research study using a set of relevant indicators available in the American Community Survey to illustrate the any faceted nature of deprivation in the US
- This study would demonstrate the possibility of a US poverty measure that reflected dimensions of disadvantage beyond cash income.
- It would promote development of a national poverty measure that reflected the many dimensions of what it means to be poor in a rich society.



The American Community Survey

- The ACS includes a large array of indicators of non-income family circumstances not reflected in the Current Population Survey (on which the current official U. S. poverty measure rests)
- These include:
 - ❖ educational attainment
 - ❖ employment
 - ❖ transportation access
 - ❖ disability status
 - ❖ housing characteristics



What Indicators Could be Included in a More Full-bodied Measure?

- educational attainment (e.g., less than a high school degree)
- labor force and employment status (e.g., living in a jobless household)
- the quality of housing (e.g., crowding, lacking plumbing or kitchen facilities)
- health and disability status (e.g., number of disabling conditions, presence of a severe mental health problem)
- transportation availability
- being linguistically isolated



Two Approaches

- Set minimum standards for each component, measure level and composition of poverty, and report

Burchardt et al (1999)

- Set minimum standards for each component, weight each component, calculate a single multidimensional poverty measure, report

Barnes (2002)



WWBT

- Bob suggested that, until rich societies eliminate income poverty, there is little to be gained from introducing “new economic and social goals.”
- My guess is that he would endorse the following statement
“... there continues to be a vital place for income-based measures of poverty... [as they]... are the most conceptually and, especially, operationally advanced measures of poverty available, and they are broadly understood and accepted by researchers, policy makers, and the public.” (John Iceland)
- He would think that folks in the UK and EU were ‘goofy’; one of his favorite words.
- He would smile benignly at my argument and proposal.



Is that Really True?

- Probably, he would, by now, recognize the need for advances in poverty measurement in a rich society like ours.
- He, I feel confident would subscribe to the concrete recommendations of the 1995 National Resource Council regarding the need for an expanded income measure.
- But I wonder if he would go along with this statement, also from their report:

“...[A]lthough the ... [official measure] is a very powerful social indicator, it speaks only to one dimension of deprivation—economic or material deprivation, fairly narrowly defined.”

“Measures of other types of deprivation ... are also needed. ... [These range from] ... living in a high-crime neighborhood ... to suffering from inadequate medical care and from homelessness to loneliness. In describing ... impoverishment in the United States, these nonmonetary indices would provide important added information.”

Citro and Michael (1995)



Thank you all!

Thank you, Bob!!!