

Measuring Poverty

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prepared for ...
Step Up Silicon Valley
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CPI's ten research groups

Poverty measurement (David Betson & Kathy Edin)

Educational access (Sean Reardon)

Recession and recovery (Michael Hout)

Income inequality (David Grusky & Kim Weeden)

Safety net (Henry Brady & Bruce Owen)

Residential segregation (Robert Mare)

Discrimination and poverty (Shelley Correll & Cecilia Ridgeway)

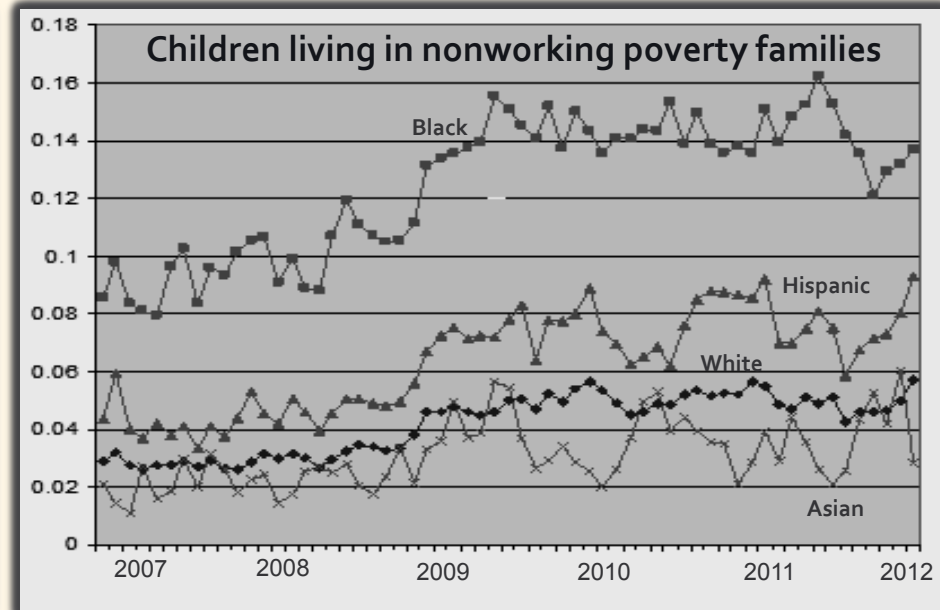
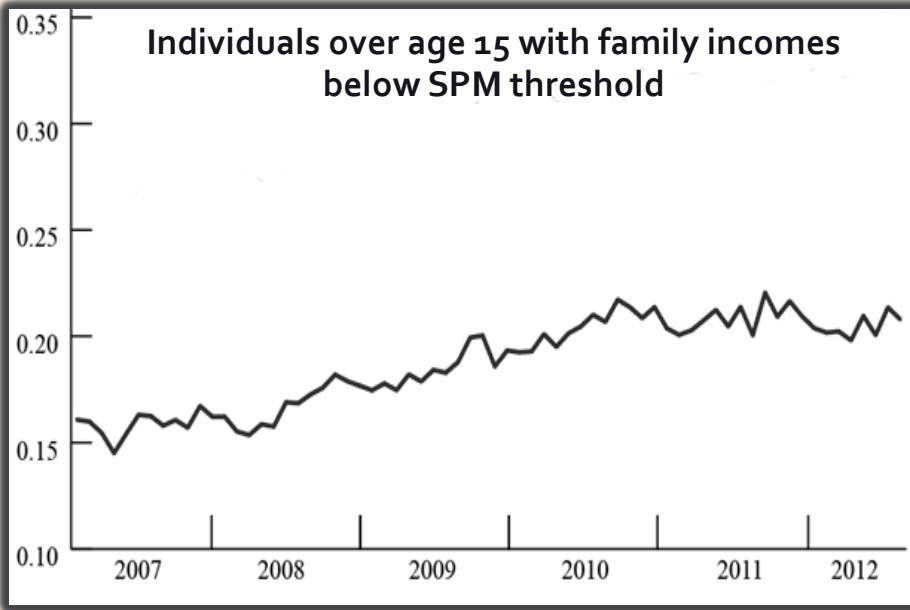
Racial and ethnic inequality (C. Matthew Snipp & Dan Lichter)

Hispanic inequality (Tomás Jiménez & Doug Massey)

Social mobility (Gary Solon)

Project #1

Monthly quantitative measurement of poverty: Bundle of key poverty indicators released each month



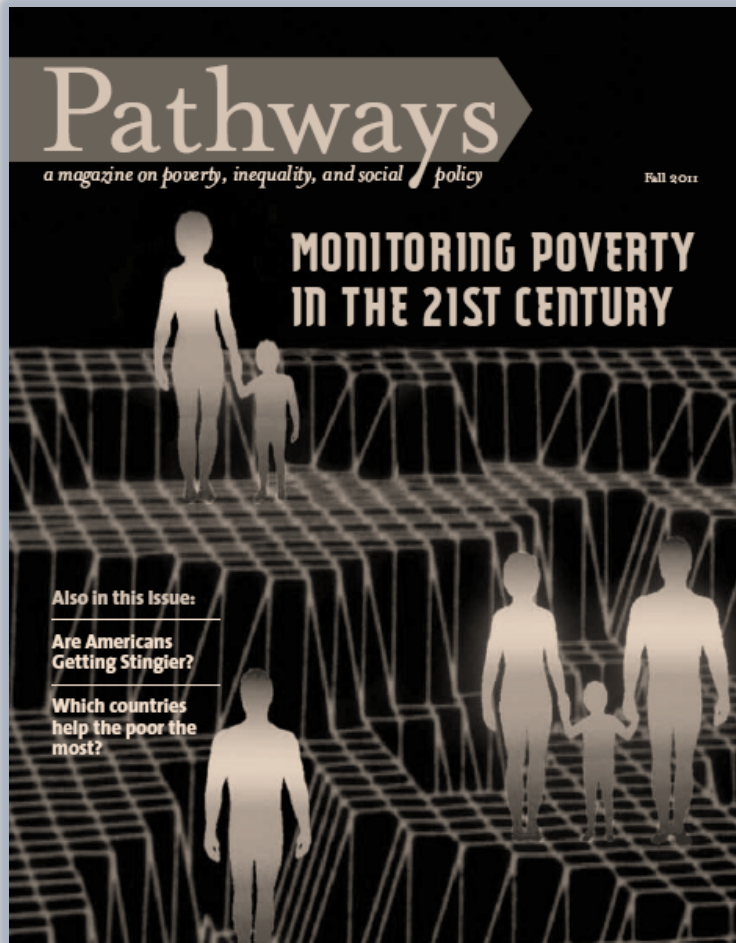
Virtues of monthly measurement

- Monitor and plan for demands on safety net
- Allows for possibility of macroeconomic response

Exploit CPS monthly income measurement

Project #2

Qualitative measurement of poverty



Qualitative studies of poverty have been immensely important in uncovering experience of poverty

One-shot tradition of qualitative analysis makes monitoring trend impossible

Solution: Qualitative trend measurement

Project #3: Measuring trends in social mobility



President Obama vowed to “build new ladders of opportunity into the middle class” in his 2013 address

Ways to move forward

1. Administrative data (i.e., IRS)
2. Adding intergenerational module to existing survey (e.g., ACS ,CPS, SIPP)

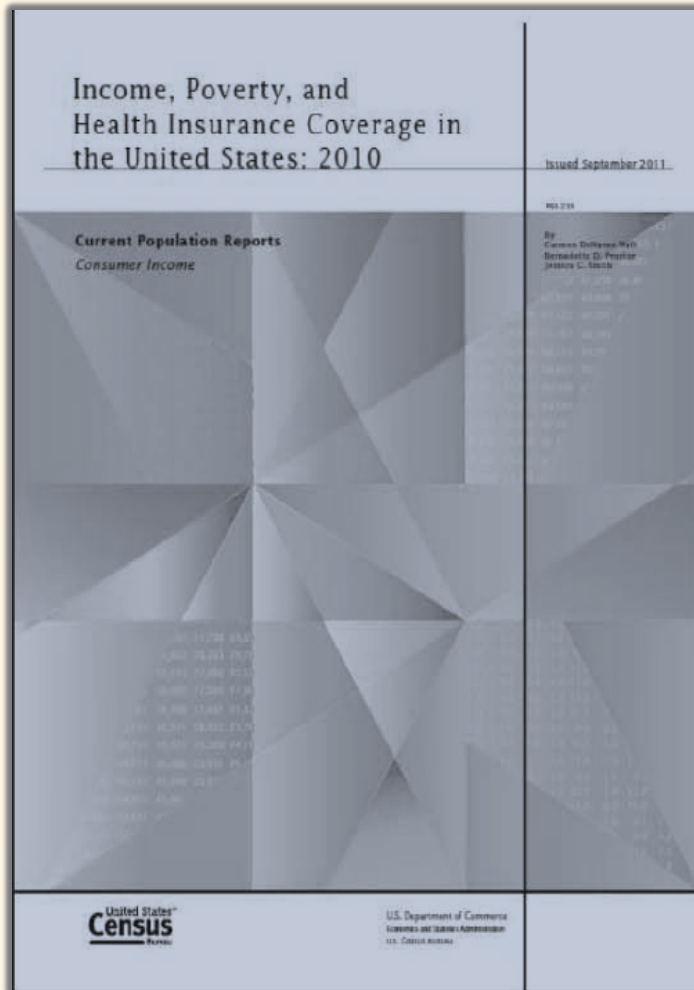
Project #4: Developing local and regional poverty measures



The SPM revolution in
poverty measurement

But we need to develop *local*
SPM measures

What's wrong with the official poverty measure?



Ignores regional differences in housing costs (and hence poverty in California is arguably underestimated)

Ignores some types of income and benefits (e.g., EITC, SNAP) and hence it appears as if "nothing can be done"

Doesn't take into account individual differences in child care and health costs

How to calculate the SPM

Step 1: Establish the poverty threshold

Step 2: Calculate family resources

Step 3: Families making less than the threshold are in poverty

Calculating the threshold

Official Measure

Cost of a minimum food basket per 1955 Food Consumption Survey

Multiply by 3

Update each year with Consumer Price Index

Supplemental Measure

33rd percentile of sum of expenditures for food, clothing, shelter, and utilities (FCSU) per Consumer Expenditure Survey

Multiply by 1.2

Based on most recent 5 years of CE data

Updated CE threshold each year (with last 5 years of data)

Adjustments to the threshold

Official Measure

No geographic adjustments

No adjustments by “shelter type”

Adjustments by family type

Supplemental Measure

Adjustments in each state using ACS data (five year moving average) on rental costs, with each metropolitan area in each state distinguished

Adjust by differences in shelter expenditures by renters, owners with a mortgage, owners without a mortgage (i.e., different threshold for each type)

Adjustments by family type (i.e., equivalence scales) that assume economies of scale and that children need less than adults

Calculating resources

Official Measure

Gross before-tax money income from all sources (using Annual Social and Economic Supplement of the CPS)

Only *cash* benefits are counted (e.g., TANF, SS, SSI, UI)

Supplemental Measure

Gross money income (CPS) including cash benefits (TANF, SS, SSI, UI)

PLUS value of federal in-kind benefits for FCSU (e.g., SNAP, housing subsidies) and tax credits (EITC)

MINUS income and payroll taxes and other nondiscretionary expenses

- child care & work-related expenses
- child support payments
- out-of-pocket medical care expenses (incl. health insurance premiums)

Cheat sheet comparing definition of official and SPM poverty

Poverty Measure Concepts: Official and Supplemental		
	Official Poverty Measure	Supplemental Poverty Measure
Measurement Units	Families and unrelated individuals	All related individuals who live at the same address, including any coresident unrelated children who are cared for by the family (such as foster children) and any cohabitators and their relatives
Poverty Threshold	Three times the cost of a minimum food diet in 1963	The 33rd percentile of expenditures on food, clothing, shelter, and utilities (FCSU) of consumer units with exactly two children multiplied by 1.2
Threshold Adjustments	Vary by family size, composition, and age of householder	Geographic adjustments for differences in housing costs by tenure and a three parameter equivalence scale for family size and composition
Updating Thresholds	Consumer Price Index: all items	Five year moving average of expenditures on FCSU
Resource Measure	Gross before-tax cash income	Sum of cash income, plus in-kind benefits that families can use to meet their FCSU needs, minus taxes (or plus tax credits), minus work expenses, minus out-of-pocket medical expenses and child support paid to another household

Building a measure for California and for California counties

PPIC (Sara Bohn, Caroline Danielson, Matt Levin) and CPI (Beth Mattingly, Chris Wimer) collaboration

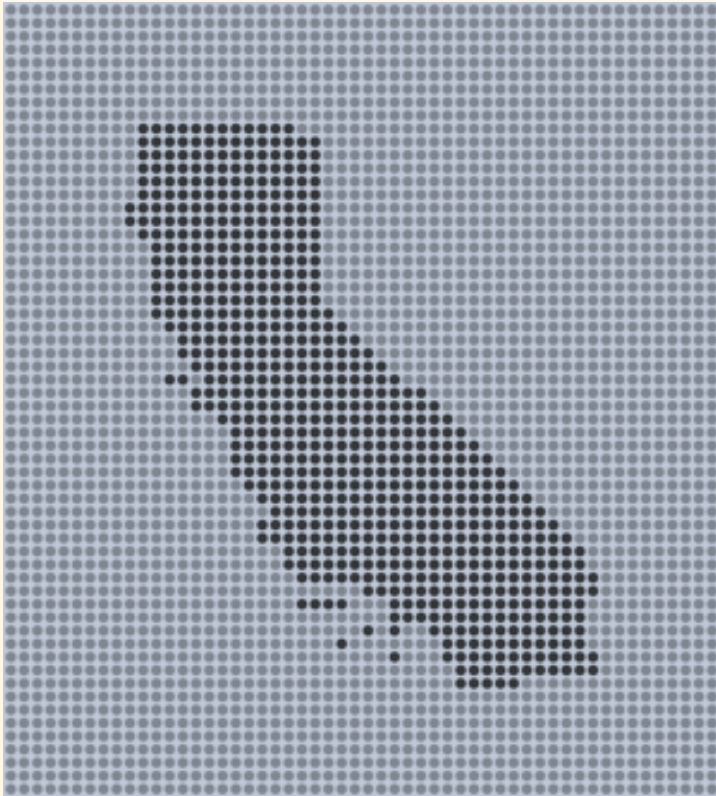
Four rationales

Census Bureau measure based on CPS three-year average (whereas we provide year-specific estimates)

Need county-level estimates: Counties operating in the dark (which is problematic because of variability in housing costs, food stamp use, EITC receipt)

Need to examine demographic variability in poverty

Counterfactuals (e.g., how much reduction secured by ramping up EITC by 10 percent?)



Geographical units

California SPM

County-level SPM

Alameda, Butte, Contra Costa, El Dorado, Fresno, Humboldt, Imperial, Kern, Kings, Los Angeles, Madera, Marin, Merced, Napa, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Tulare, Ventura, Yolo, Lake/Mendocino, Alpine/Amador/Calaveras/Inyo/Mariposa/Mono/Tuolumne, Colusa/Glenn/Tehama/Trinity, Sutter/Yuba, Monterey/San Benito, Del Norte/Lassen/Modoc/Siskiyou, Nevada/Plumas/Sierra

Data sources

American Community Survey

Current Population Survey: Impute medical and child care costs to ACS respondents; impute receipt of Housing Assistance

Administrative data: Used to better estimate CalWorks and food stamp use from caseload counts by county

The payoff

Release date: September, 2013

What will we learn?

Which counties have highest and lowest poverty rates?

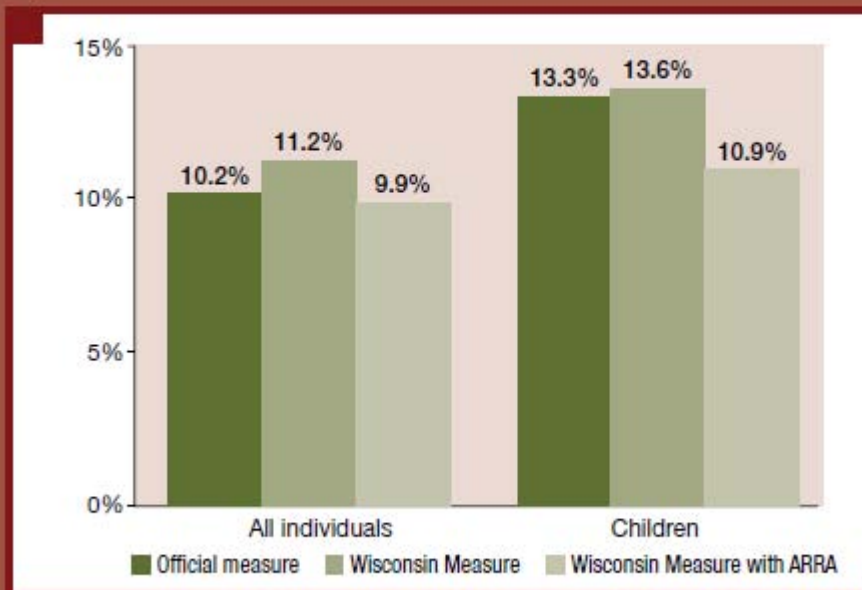
Which groups have the highest and lowest rates?

In which counties are problems emerging?

Which programs are doing the most poverty-reduction work?

Counterfactuals: the Wisconsin example

FIGURE 2 Poverty rates under the Official and Wisconsin Poverty Measures, and under the Wisconsin Poverty Measure with selected ARRA policies simulated.



Source: IFPP tabulations of 2008 American Community Survey data augmented with state administrative data, Wisconsin Poverty Measure methodology, and simulated policies under the American Recovery and Reinvestment Act.

American Recovery and Reinvestment Act (ARRA): Would it have reduced poverty had it been applied in 2008?

Answer: By 1.3 points (via tax credit expansions, additional payments to Social Security recipients, SNAP benefit increases)