Poverty Measures

SETTING THE STAGE

THE VIEWS AND OPINIONS EXPRESSED HERE ARE THOSE OF THE AUTHOR, AND DO NOT NECESSARILY REFLECT THE OFFICIAL POLICY OR POSITION OF OMB.
Brief History

- Official Poverty Measure
  - In 1978, OMB issued Statistical Policy Directive No. 14, defining the “official poverty measure”
  - Developed in the mid 1960s by Mollie Orshansky (SSA)
  - Poverty thresholds are derived from the cost of a minimum food diet multiplied by three to account for other family expenses.
  - Annual adjustments are based on changes in the average annual total CPI-U
Brief History

- **Supplemental Poverty Measure (SPM)**
  - Working group was formed in 2009 and charged with developing a set of initial starting points to produce the SPM
  - Experimental poverty measure that defines income thresholds and resources in a manner different from the official poverty measure
  - Serves as an additional indicator of economic well-being
  - Drew on the recommendations of a 1995 National Academy of Science report (*Measuring Poverty*) and the extensive research on poverty measurement
  - Annual SPM estimates have been published since 2011
Interest in alternatives from policy officials

- **Two aspects:**
  - Inflation measures, esp. which is appropriate for use in the OPM
  - Evaluating alternative measures, like consumption and extended income

- **Typical procedure to look into these interests:**
  - Charter working groups of Federal experts
  - OMB solicits public comment through the Federal Register
  - Working groups review questions raised and make technical recommendations to OMB
  - OMB reviews the technical recommendations and issues decisions
Interagency Technical Working Groups

- Established two separate working groups to address these particular questions
- Chartered with chairs from OMB, co-chairs from agencies
- Members include reps from Federal agencies like BLS, Census, BEA, CEA, HHS, HUD, Ed, SOI at IRS, USDA, SSA, and/or other agencies as appropriate
- Established to provide a technical review and recommendation on particular issues/questions
Consumer Inflation Measures Working Group

- Reviewing:
  - Strengths, weaknesses, and appropriate uses of consumer inflation measures produced by BLS and BEA
  - Most appropriate consumer inflation measure for use in the OPM
  - Most appropriate consumer inflation measure for use in historical median income data

- Federal Register Notice published in May seeking comment on these issues – comments due June 21

- Technical recommendation to OMB will follow
Evaluating Alternative Measures of Poverty Working Group

- Charged with:
  - evaluating possible alternative measures of poverty,
  - how such measures might be constructed, and
  - whether to publish those measures along with the measures currently being published

- Reviewing measures developed by researchers since the issuance of the Measuring Poverty NAS report, including extended income- and consumption-based measures
Evaluating Alternative Measures of Poverty Working Group

- Any recommended measure would not be intended to replace the SPM or OPM
- Expected to deliver initial report with considerations this summer accompanied by a Federal Register Notice seeking public comment on the group’s considerations to date
- Group will continue discussions around alternative measures and take public comment into account
- Expected to deliver final report with technical recommendations to OMB by the end of this calendar year
Questions: