

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:
