



### **Income and Poverty Statistics: Problems of Concept and Measurement: Report of a Workshop (1988)**

Pages  
31

Size  
6 x 9

ISBN  
0309319838

Daniel B. Levine and Linda Ingram, Editors; Committee on National Statistics; Commission on Behavioral and Social Sciences and Education; National Research Council

 [Find Similar Titles](#)

 [More Information](#)

#### **Visit the National Academies Press online and register for...**

✓ Instant access to free PDF downloads of titles from the

- NATIONAL ACADEMY OF SCIENCES
- NATIONAL ACADEMY OF ENGINEERING
- INSTITUTE OF MEDICINE
- NATIONAL RESEARCH COUNCIL

✓ 10% off print titles

✓ Custom notification of new releases in your field of interest

✓ Special offers and discounts

Distribution, posting, or copying of this PDF is strictly prohibited without written permission of the National Academies Press. Unless otherwise indicated, all materials in this PDF are copyrighted by the National Academy of Sciences.

To request permission to reprint or otherwise distribute portions of this publication contact our Customer Service Department at 800-624-6242.

Copyright © National Academy of Sciences. All rights reserved.



**REFERENCE COPY  
FOR LIBRARY USE ONLY**

# **Income and Poverty Statistics: Problems of Concept and Measurement**

**Report of a Workshop**

**Daniel B. Levine and Linda Ingram, Editors**

**Committee on National Statistics  
Commission on Behavioral and Social Sciences  
and Education  
National Research Council**

**National Academy Press  
Washington, D.C. 1988**

79  
.15  
153  
158  
21

**NOTICE:** A program initiative designed to lead to a funded project on this subject also led to the development of this report. The initiative was approved by the National Research Council Funds Committee, whose members are the Presidents of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine.

This report has been reviewed by a group other than the authors according to procedures approved by a Report Review Committee consisting of members of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine.

The National Academy of Sciences is a private, nonprofit, self-perpetuating society of distinguished scholars engaged in scientific and engineering research, dedicated to the furtherance of science and technology and to their use for the general welfare. Upon the authority of the charter granted to it by the Congress in 1863, the Academy has a mandate that requires it to advise the federal government on scientific and technical matters. Dr. Frank Press is president of the National Academy of Sciences.

The National Academy of Engineering was established in 1964, under the charter of the National Academy of Sciences, as a parallel organization of outstanding engineers. It is autonomous in its administration and in the selection of its members, sharing with the National Academy of Sciences the responsibility for advising the federal government. The National Academy of Engineering also sponsors engineering programs aimed at meeting national needs, encourages education and research, and recognizes the superior achievements of engineers. Dr. Robert M. White is president of the National Academy of Engineering.

The Institute of Medicine was established in 1970 by the National Academy of Sciences to secure the services of eminent members of appropriate professions in the examination of policy matters pertaining to the health of the public. The Institute acts under the responsibility given to the National Academy of Sciences by its congressional charter to be an adviser to the federal government and, upon its own initiative, to identify issues of medical care, research, and education. Dr. Samuel O. Thier is president of the Institute of Medicine.

The National Research Council was organized by the National Academy of Sciences in 1916 to associate the broad community of science and technology with the Academy's purposes of furthering knowledge and advising the federal government. Functioning in accordance with general policies determined by the Academy, the Council has become the principal operating agency of both the National Academy of Sciences and the National Academy of Engineering in providing services to the government, the public, and the scientific and engineering communities. The Council is administered jointly by both Academies and the Institute of Medicine. Dr. Frank Press and Dr. Robert M. White are chairman and vice chairman, respectively, of the National Research Council.

The workshop that is the subject of this report was supported by Program Initiation Funds made available by the National Research Council. Additional support for writing this report was provided by the National Science Foundation (No. SES 8508354), through which a number of federal agencies contribute to the core support of the Committee on National Statistics.

Available from:

Committee on National Statistics  
National Research Council  
2101 Constitution Avenue, N.W.  
Washington, D.C. 20418

## **WORKSHOP PARTICIPANTS**

**COURTENAY SLATER** (Chair), CEC Associates, Washington, D.C.  
**HENRY AARON**, The Brookings Institution, Washington, D.C.  
**JODIE ALLEN**, Chrysler Corporation, Washington, D.C.  
**LAWRENCE ATKINS**, Special Committee on Aging, U.S. Senate  
**GARY BASS**, OMB Watch, Washington, D.C.  
**ELEANOR CHELIMSKY**, U.S. General Accounting Office  
**JOHN CODER**, Bureau of the Census, U.S. Department of Commerce  
**JUDITH DAVISON**, Joint Economic Committee, U.S. Senate  
**GORDON M. FISHER**, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services  
**NANCY GORDON**, Congressional Budget Office, U.S. Congress  
**GORDON GREEN**, Bureau of the Census, U.S. Department of Commerce  
**KIRSTEN A. GRONBJERG**, Department of Sociology and Anthropology, Loyola University  
**SHELDON HABER**, Department of Economics, George Washington University  
**ROGER HERRIOT**, Bureau of the Census, U.S. Department of Commerce  
**EVA JACOBS**, Bureau of Labor Statistics, U.S. Department of Labor  
**F. THOMAS JUSTER**, Institute for Social Research, University of Michigan  
**MARK LITTMAN**, Bureau of the Census, U.S. Department of Commerce  
**MICHAEL MCGEARY**, Committee on National Urban Policy, National Research Council  
**SUSAN MAYER**, Center for Urban Affairs and Policy Research, Northwestern University  
**RICHARD NATHAN**, Woodrow Wilson School, Princeton University  
**MOLLIE ORSHANSKY**, Consultant, Washington, D.C.  
**WENDELL PRIMUS**, Ways and Means Committee, U.S. House of Representatives  
**LEE RAINWATER**, Department of Sociology, Harvard University  
**ROBERT REISCHAUER**, The Brookings Institution, Washington, D.C.  
**PATRICIA RUGGLES**, The Urban Institute, Washington, D.C.  
**MARGARET SIMMS**, Joint Center for Policy Studies, Washington, D.C.  
**PAUL V. SMITH**, Children's Defense Fund, Washington, D.C.  
**EUGENE SMOLENSKY**, Department of Economics, University of Wisconsin  
**HAROLD WATTS**, Center for Social Sciences, Columbia University  
**JOHN C. WEICHER**, American Enterprise Institute, Washington, D.C.

**CHRIS WISE, Office of Legislative and Public Affairs, U.S. National  
Science Foundation**  
**ROBERTON WILLIAMS, Congressional Budget Office, U.S. Congress**

**DANIEL B. LEVINE, Senior Associate**  
**LINDA INGRAM, Consultant**  
**ANNE SPRAGUE, Secretary**

**COMMITTEE ON NATIONAL STATISTICS  
1987 - 1988**

**BURTON H. SINGER (Chair), Department of Epidemiology and Public Health, Yale University**

**JAMES O. BERGER, Statistics Department, Purdue University**

**DAVID H. BLACKWELL, Department of Statistics, University of California, Berkeley**

**NORMAN H. BRADBURN, Provost, University of Chicago**

**LOUIS GORDON, Department of Mathematics, University of Southern California**

**JERRY A. HAUSMAN, Department of Economics, Massachusetts Institute of Technology**

**F. THOMAS JUSTER, Institute for Social Research, University of Michigan**

**GRAHAM KALTON, Institute for Social Research, University of Michigan**

**NAN M. LAIRD, Department of Biostatistics, Harvard School of Public Health**

**JANE A. MENKEN, Office of Population Research, Princeton University**

**JOHN W. PRATT, Graduate School of Business, Harvard University**

**S. JAMES PRESS, Department of Statistics, University of California, Riverside**

**COURTENAY M. SLATER, CEC Associates, Washington, D.C.**

**JUDITH M. TANUR, Department of Sociology, State University of New York at Stony Brook**

**KENNETH W. WACHTER, Department of Statistics, University of California**

**MIRON L. STRAF, Director**

**MICHELE W. ZINN, Administrative Associate**

# **Income and Poverty Statistics: Problems of Concept and Measurement**

## **INTRODUCTION**

The official government definition of poverty was established in the mid-1960s and has been modified only slightly since then. Essentially, the poverty concept identifies, in dollar terms, a minimum level of income adequacy for families of different types, based on observed consumption patterns. Using expenditures for food, an estimate was developed of the minimum cost at which a family could be provided with a diet meeting recommended nutritional requirements: that a family of four requires an income of three times the amount of money needed to feed it. The multiplier was derived from data developed from the 1955 food expenditure survey. The thresholds, which are updated annually to reflect price increases, allow for certain demographic differences, such as family size and age of family head. Statistically, the poverty concept originally consisted of a table or matrix of 124 separate income thresholds which varied by size of family, sex of the household head, farm or nonfarm status, number of children under 18 years of age, and the age of the head of the household (over or under 65 years). Based essentially on the formula proposed by Mollie Orshansky in the early 1960s, the resulting numbers were quickly named "the poverty index," widely quoted and disseminated, and became the basis for policy development and policy evaluation (Orshansky, 1965a, 1965b).

In recent years, among other minor changes, the separate thresholds for farm families have been eliminated, the matrix has been extended to families with nine or more members, and the thresholds for female householders have

been averaged with those for “all other” families. Since 1966, annual adjustments have been made consistent with changes in the Consumer Price Index.

Many questions can be and are being raised about the index: Should poverty be a relative or an absolute measure? Has it gone up or down in recent years? Should income—and thus poverty—reflect only the receipt of cash income, as at present, or should noncash benefits, which expanded rapidly during the late 1960s and 1970s, be added to the income distribution? Which of the many sources of noncash benefits should be included and how should they be converted to dollar equivalents that adequately and appropriately represent their contribution to the economic welfare of recipients? How should assets and wealth be treated? From a somewhat broader perspective, how does the public view poverty? Are the present poverty thresholds consistent with the financial ability to obtain what most people in the United States today consider the basic necessities?

These questions, concerns, and issues are not solely theoretical. Poverty estimates are used to plan, administer, and evaluate programs. The poverty definition has been the subject of numerous hearings and reports from committees in both the House and the Senate. In 1986, the House Subcommittee on Census and Population considered a legislative mandate to require a study by the National Research Council to review and summarize the issues and to provide independent thought and recommendations in the areas of concepts and measurement.

Given the importance of this subject and the concern of policy makers and the Congress, the Committee on National Statistics decided to undertake a review of the conceptual and measurement problems in the collection of income and poverty statistics by convening a workshop to suggest priorities on issues to be explored and to advise the committee on the desirability, scope, approach, and direction of a study to propose changes either in concept or measurement method. The objective of the workshop was to assess the need for and feasibility of improving concepts and measurement approaches, not to evaluate programs or policies to affect income distribution or assist the poor.

The assembled group, which met on April 30 and May 1, 1987, was chaired by committee member Courtenay Slater and included representatives of federal agencies and of academic and other institutions concerned with the collection and analysis of income data; experts in survey research and in the collection of income statistics, including poverty and non-cash benefits; and economists and others who specialize in the analysis and use of these data (see list of participants on pages iii-iv).

For the most part, this report follows the format of the discussion. The workshop began with presentations by representatives of the Bureau of the Census and of the Bureau of Labor Statistics, in which the key data sources



used in the measurement of income and poverty were reviewed and recent and expected developments described. Following a general review of the history of measuring income and poverty and a discussion of major problems, participants divided into three subgroups which met separately to address different aspects of the problem. The full group then joined together to exchange the results of their respective efforts and to formulate their suggestions.

## **DATA SOURCES: AN UPDATE**

### **The Role of the Census Bureau**

The Bureau of the Census is the source of the official estimates of personal and family money income (since 1947) and poverty (since the early 1960s). Estimates of the number of people in poverty and their characteristics are prepared annually, based on income during the previous calendar year and family status as of March of the current year. The data are obtained in the March supplement to the Current Population Survey. The Census Bureau does not, however, set the poverty level. Responsibility for changing the concepts and definitions rests with the Office of Management and Budget (OMB). In addition to data collection, the Census Bureau conducts research on the quality of the results and on the definition and its components.

Since their inception, the poverty statistics have been based only on money income. However, the intervening years have seen noncash benefits—including both the types of benefits primarily available to the poor, such as food stamps and public housing, and employer-provided benefits, such as health insurance, which are largely available to the middle class—increase to the point that they make up an important proportion of income.

A number of steps have been taken to develop information about non-cash benefits. In March 1980, questions were introduced into the Current Population Survey (CPS) to collect limited data on participation in and the benefits derived from both selected government and nongovernment programs (including food stamps). Using methodology developed by Timothy Smeeding (1982a), an estimate of the money contribution of these benefits to the income of the poor in 1982 was prepared. Since that time, the Bureau of the Census has regularly collected and published information on noncash benefits in connection with the March income supplement and has published estimates of the impact on the levels of poverty of the inclusion in income of these limited noncash benefits (valued several ways). However, data on noncash benefits are not used either in deriving the overall income distribution or in the compilation of the “official” poverty estimates. The Bureau of the Census also has been developing approaches to estimating

after-tax income (Bureau of the Census, 1985a, 1985b). With the support of the National Science Foundation, a researcher is now working on estimating the value of employer-provided benefits, such as health insurance, life insurance, and pensions. A new report, to appear in late 1988, will bring the tax and noncash benefit information together and present income distributions that both include and exclude these transfer payments.

Another important source of income data, developed in the late 1970s in an attempt to deal with the many problems of collecting this type of information as well as to obtain needed data on program participation, is the Survey on Income and Program Participation (SIPP), which began to produce data in 1983. The SIPP survey collects information on income and family attachment in a more detailed manner than does the CPS, and the early results are now being analyzed to assess its differences from the CPS results in both income and poverty. The SIPP data, collected three times a year from the same households, permit the measurement of poverty for shorter periods than a year. In contrast, the Panel Study of Income Dynamics (PSID), which is a longitudinal study conducted by the Survey Research Center of the University of Michigan, provides the basis for multi-year measures of poverty.

Finally, the Bureau of the Census is continuing its efforts to improve the overall reporting of income, which evaluations suggest is short by some 10 percent, following adjustment for partial or complete failure to respond. The problem appears especially acute at the upper and lower ends of the income distribution, although workshop participants noted that the independent benchmark measures also should be used with caution, given the known difficulties in compiling them.

### **The Consumer Expenditure Survey**

The Consumer Expenditure Survey (CEX) conducted for the Bureau of Labor Statistics (BLS) by the Census Bureau, was placed on an ongoing, quarterly basis in 1980. The CEX covers the total population and associates expenditures with specific households. The survey is conducted in two separate parts: a two-week diary in which people keep track of every household expenditure, and a series of interviews dealing with selected expenditures over the previous three-month period. Some of the interviews include income questions and others obtain data on assets and liabilities.

In the interest of improving the survey, BLS has asked several cognitive psychologists to review the questionnaire and recommend appropriate improvements. The current assessment of the two-hour interview is that it is too long; survey staff are attempting to refine and shorten the interview without losing information, for example, by asking only half the survey questions in sequential interviews. Also ongoing are projects to determine how

accurately housing expenditures are reported. This is an important weighting factor in the Consumer Price Index, which is based on the CEX.

Articles detailing results from the CEX, discussing various facets of the survey operations or describing methodological issues, are published in the *Monthly Labor Review* or in various detailed bulletins; results of the surveys also are available on public-use tapes. Although city detail is provided in the published results, these data are not contained on the public-use tapes because of confidentiality restrictions imposed on the detail.

Until 1981, the BLS published information on family budgets, which, hypothetically, showed how different sized families might spend their income. The cost and composition of lower, middle, and upper level budgets were shown separately.

## MAJOR ISSUES

### Problems in the Collection of Income Data

#### Household Measurement Unit

The family unit observed at the time of the March CPS interview is not necessarily the unit that existed during all or part of the previous calendar year, to which the income data supposedly refer. Over a calendar year, families may add or lose members or may dissolve entirely, yet the income reported in March is assumed to have applied during the past calendar year to the group of individuals found in the unit at the time of the March interview. While this problem was not considered to be serious in the aggregate, there was unanimity that the results could be misleading for certain types of families, such as those headed by females and those with low incomes.

There was agreement that the more frequent and detailed SIPP income data would correct for some of the CPS problems in this regard. The workshop participants also recognized that it was unlikely that changes could be implemented in the CPS to deal with this issue, especially given the restrictions on questionnaire space and time and the existence of SIPP. For these reasons, the workshop participants urged work to compare and evaluate CPS and SIPP income estimates to measure the impact of their different approach. Such comparisons are also needed because, although the official poverty estimates are drawn from the CPS, SIPP has greater detail on the characteristics of groups important in the poverty count.

#### What Should Be Counted as Income?

A wide range of views was forthcoming on the subject of changing the income measure to include some types of in-kind income or cash benefits. (At present, only pretax money income is counted.) For the most part, the

discussion focused on those items that have been the subject of research by the Census Bureau, such as food stamps, Medicaid and Medicare, and housing subsidies, with medical benefits provoking by far the most discussion and disagreement.

Although recognized as important and difficult, the technical valuation of in-kind benefits did not preoccupy the group, especially given the fact that technical measurement of these benefits had been the topic of a separate conference held in Williamsburg, Virginia, in December 1985, under the sponsorship of the Bureau of the Census (1986). Rather, for the most part, the workshop discussion focused on the analytical implications of including major subsidies as income. For example, it was noted that some of the methods of counting the cost of medical care (or attributing some medical insurance cost) would seriously affect the data on the elderly poor, who would appear to have more resources in comparison to other segments of the population, notwithstanding the fact that such resources cannot be drawn on for consumption of items other than medical care. Conversely, the exclusion of employer-provided health insurance from the income distribution also would result in distorting any comparisons. Another problem in counting Medicaid and Medicare as income is that there are numerous other forms of medical subsidy available and used by the poor. Excluding the value of such benefits, which are extremely difficult both to measure and to value, would skew the results.

Housing subsidies were considered another problem area, sharing with medical expenditures the quality of being very “lumpy” – the individual subsidy is quite large and limited to relatively few of the poor, although, in the aggregate, far smaller than for medical expenditures. These subsidies also would have some differential effect on various groups, if counted.

The discussion then dealt with the question of including in income of home owners the imputed value of occupying their homes. The estimated aggregate value of the services accruing from occupancy of owned homes is a major imputation in the GNP accounts, and data are available from BLS surveys used for the Consumer Price Index. But inclusion in family income would be a major departure from present Census Bureau practices. Again, the elderly would be particularly affected, given their relatively high rate of home ownership. In fact, home ownership is a major factor in the financial well-being of many elderly people.

There was consensus on the desirability of incorporating two changes into the income data: first, that food stamps be included in income at face value, and, second, that income data should be provided on an after-tax basis (that is, excluding both income and payroll taxes). The workshop participants also agreed that the subject of income, in general, would benefit from an overall review of data needs.

Another aspect of the changing patterns of income was noted, namely, that consumption may also be dependent on access to credit. Temporary periods of income insufficiency may not lead to changes in consumption patterns if credit is available. In this respect, an income measure of poverty may be somewhat of an anachronism.

### **Income Versus Consumption**

An issue provoking considerable discussion was whether the income measure of poverty should be replaced by a measure of consumption. (The threshold, after all, is derived from a consumption standard.) Should the threshold reflect what people actually consume or spend on consumption, rather than what they receive as income?

A consumption measure might solve many of the problems involved in using a measure of income. It could obviate the need for a complete accounting of all income, which has been difficult if not impossible to achieve – given the existence of an underground economy, of child support and other inter-family payments, and of noncash benefits, to mention only a few of the many problems existing in this area. It also would eliminate the need to obtain owner/renter equivalents and could reduce some of the other problems of measuring in-kind income.

The use of consumption also would lessen if not obviate the discrepancies caused by having to collect income for discrete periods of time, e.g., a calendar year. These requirements (or limitations) now result in measures in which people appear to be entering or leaving poverty when in reality their consumption levels remain virtually unchanged. During the discussion it was noted that the IRS uses consumption measures, such as an average expenditure for charity per income group, as a guide in its review of tax returns.

One approach discussed by the workshop participants concerned measuring consumption by categories (e.g., food, clothing, shelter, medical care, etc.), with separate thresholds for each major category. However, this approach would introduce the problem of how many categories there should be, what they should be, and how consumption could be aggregated for a single household.

Another problem with consumption measures occurs when people have resources but do not expend them to meet threshold levels, either because they choose to save, are very efficient consumers, or face nonmonetary barriers to consumption. The latter is particularly prevalent among elderly persons with physical or mental limitations, such as lack of mobility, who maintain inadequate levels of consumption despite adequate financial resources.

Because different groups have distinctly different patterns of consumption relative to income, the use of a consumption measure of poverty would

likely produce significant shifts in the *composition* of the poverty population. Many elderly likely would be shown to be consuming at poverty levels despite above-poverty incomes. Data are available that could be used to develop information about the likely profile of the poverty population using a consumption standard, and it was suggested that additional research in this area could be quite useful.

Another area to be explored concerns the relation of poverty measures to other measures of income and income distribution. Families in upper income groups often consume much less than their incomes would permit. How useful would consumption-based data be as overall measures of inequality of economic well-being?

### **Should the Poverty Threshold Be Changed?**

Participants readily agreed that the present poverty threshold is out of date, but many participants expressed reservations about opening it up to major changes. The discussion ranged widely with a variety of suggestions proposed. One suggestion commanding considerable support was simply to recalculate and update the thresholds by incorporating data reflective of the current situation, i.e., determining the amounts required today to feed families of different sizes and the appropriate ratios to current income. Such data are available, and the proportion of income spent on food today is substantially smaller than in 1955. Periodic re-examination of the composition of the threshold also was suggested.

More comprehensive changes, such as replacing the whole basis of the multiplier, were also proposed, primarily in response to suggested additions to the income side. If in-kind benefits are added to income, they also should be reflected in the threshold. Inclusion in income of in-kind benefits without changing the threshold would tend to decrease the apparent number of people in poverty. Almost all participants were emphatic that changes in the definition of income should be accompanied by corresponding adjustments of the poverty threshold. There was widespread agreement on the general desirability of including some in-kind benefits in income – particularly food stamps – providing the poverty threshold were appropriately adjusted. Opinions varied widely, however, on the inclusion of medical benefits.

There was general agreement on the need for periodic, regular review and updating of the poverty threshold. A specific point of agreement was on the need to readjust the thresholds for different family sizes, the present adjustments being seen as arbitrary and, in general, too large.

The question of absolute versus relative measures of poverty was discussed. Many participants agreed that the present fixed measure has drifted out of date over time and no longer reflects the social consensus about what constitutes poverty. There was considerable agreement that an adjustment

of the threshold to place it in a more appropriate relationship to current real median income was needed.

Notwithstanding the concerns raised earlier, participants addressed the appropriate criteria for a poverty measure. The discussion brought out a number of ways in which the measure needed to be related to its intended uses. A number of criteria were suggested, but no attempt to develop a consensus list was undertaken, and it should not be presumed that all participants support all criteria. The criteria discussed included the following:

(1) The poverty measure should be a social indicator rather than a social welfare indicator: that is, it should not be expected to be a measure of all the social problems associated with poverty. Nor should it be used as an eligibility indicator for social programs or be closely tied to the objectives of any particular programs. The objective should be to measure a standard of adequacy to provide or have access to goods and services. Programmatic eligibility, in contrast, should be determined by the objectives of the program and the specific needs to be met.

(2) The poverty measure should not systematically ignore large amounts of illegal income or major demographic changes.

(3) The poverty measure should present the situations of people of differing age and family situations equitably. New poverty thresholds should be both parsimonious and consistent with common attitudes towards poverty.

(4) Like the present measures, new thresholds should be easy to implement and easy to explain to the public and should be of the same relative magnitude as the present levels, thereby preserving continuity.

(5) Congress and the executive branch need a poverty measure that can measure the effects of federal policy and indicate the demand for federal assistance. Policy makers also want longitudinal measures that provide a view of the whole economy. These numbers influence the cost estimates of certain programs. Policy makers and program managers also need data on specific groups, e.g., data on the tax-paying poor, that could influence tax changes.

(6) It is important to measure poverty through time, rather than only as a snapshot, poor or not poor at one moment.

(7) The poverty measure should describe both particular dependent populations, e.g., children and the elderly, and capture particular types of income important to the poor, i.e., workfare and child support. There also was some discussion of whether the measure should reflect assumed regional cost-of-living differences.

(8) A new measure should yield approximately the same poverty figures as the old number in order to have credibility (a measure that instantly doubled or halved the poverty rate would not be accepted). There was even

a suggestion that it should not be called a poverty indicator, in order to gain better acceptance.

(9) The poverty measure should have the ability to be updated easily, both to provide a ready measure of trend and to minimize opportunities for confusion.

A number of participants argued vigorously for retention of the present measure, with only minor adjustments. It was argued that there are many positive advantages to retaining a measure that has been accepted as legitimate for many years. Such a measure has both visibility and familiarity, as well as a type of credibility with the general public, the press, and its user community, and Congress prefers to deal with a familiar single number. The difficulty of finding a propitious time period in which to introduce a new measure that would find acceptance across the spectrum of political concern should not be underestimated. There was general agreement that available data should be publicized and used to develop supplementary information about economic well-being.

Some participants noted that there does not seem to be a specific mandate for revision at the moment, and that even the various suggestions for marginal changes may raise as many questions as they address. Others argued that there are definite virtues in a study undertaken before the exigencies of the moment result in an expedient solution. Furthermore, the work that has been under way by the federal agencies and others well may benefit from an independent appraisal.

As for the possibility of doing away with the present measure and replacing it with a different measure, the participants recalled the instructive example of the "substandard housing" measure, once used widely by the Department of Housing and Urban Affairs. "Substandard housing" had taken on a certain common meaning but, because of measurement difficulties, the decision was made to drop it. Subsequently, efforts to develop a new but similar measure, or to duplicate the old one, have been unsuccessful because users have not accepted the proposed measures as a substitute for the old measure, which has complicated policy analysis.

Although there was no clear consensus on whether (or how) to change the poverty measure, there was agreement that additional measures should be developed and would prove useful. It was pointed out that other aspects of national life are not characterized by a single number: for example, the economy is described through the use of a number of different economic indicators. Similarly, unemployment, money supply, and inflation are presented in more than one way. In the case of income and poverty, substantial indicator information is available from the Census Bureau, even in public-use files, and should be publicized. These data are relatively inexpensive to



produce and easy to use. In particular, data are available on such subjects as relative income status and relative need. As in the other areas, the press and the public would get used to the idea of having more than one indicator in the poverty area, and analysts would benefit substantially.

While a specific system of indicators was not proposed, several suggestions were made. It was pointed out that various measures put out by the Census Bureau have shown to be correlated over the past several years, and some of these might be considered. If measures thought to indicate poverty did *not* prove to be correlated, it would be cause for further investigation. Also suggested were half the median income and a number previously used by BLS to describe a lower-level family budget (but which has not been produced in recent years). Attention might also be focused on the poverty gap, or the amount of resources required to bring the whole population or certain groups up to some minimal standard. Changes within this subpoverty area may be politically and analytically important even when the total numbers on either side of the poverty line may not be changing.

It was suggested that a subjective indicator be developed to provide a measure of a publicly perceived minimal standard of living. Available poll data indicate that a fairly constant relationship exists between one's own income and what one believes to be a poverty level. Thus, a measure based on the public's perceptions of a minimal standard of living would change over time as incomes and perceptions changed and, thus, would serve as a useful measure of relative poverty.

### CONCLUDING COMMENTS

The workshop concluded with remarks from two participants who had been asked in advance to overview the discussions and share their perceptions with the group. The first, Robert Reischauer, noted that there is an increasingly widespread understanding of the limitations of the existing measure of poverty and that such an understanding inevitably will cause an increasing amount of difficulty in the use of the data, particularly in policy debate. Thus, he expressed the view "that the effort to improve is really essential."

His second point was that the current measure should be left as is — not frontally assaulted — and be supplemented by an additional set of alternative measures, which should be developed to meet those demands that now cannot be satisfied. Reischauer said that any change in the current measure would be viewed as politically charged, since he perceives no real consensus at this time among groups, such as this workshop, as to the types of change that might be most appropriate. The lack of consensus he observed in this discussion is for him a good argument for at least maintaining the current measure.

He noted that even an outmoded, out-of-date measure is interesting and useful because it provides an indication of how fast standards become out of date. With regard to poverty, he concluded “not very much (appears to have changed) after 30 years, which should tell us something.”

He also saw a definite need for an outside group to endorse and support the principle of correspondence, that is, that changes in the definition of income at the family level require corresponding changes in the threshold. Finally, he emphasized the need to ensure that improvements in measuring one end of the income distribution are matched by similar improvements elsewhere in the income distribution.

Richard Nathan, emphasizing his perspective as a political scientist, differed with Reischauer’s contention that there exists some controversy and uneasiness about the poverty measure. Rather, he senses that at this time within the policy community there is little if any concern about changing the poverty index. He agreed with the need to update and refine the measure, to consider and develop additional measures, and to be prepared to advise the policy world if and when it asks. Nathan also mentioned that he was unsure of the need for Academy participation in the dialogue at this time, noting that the ongoing discussions between the Census Bureau and its users has generated extensive discussion of the issues; he did agree that this dialogue was unlikely to generate change.

Nathan’s final point emphasized the need to recognize the intrinsically political nature of the set of issues under discussion and to ensure that any study reflect a range of values that different politicians will bring to consideration of the proposals for change.

The more than 30 academics and public and private officials who gathered to discuss the issues of income and poverty statistics agreed that the current poverty thresholds have serious conceptual and technical flaws. There was less consensus, however, on the extent to which these shortcomings impede the nation’s ability to assess poverty and to design and evaluate programs to improve the status of the poor and on the current necessity for an in-depth, outside review. Some participants pointed to the numerous studies already available that address the issues involved in measuring poverty and propose alternative approaches or changes. Others argued that independent outside review was badly needed to provide a sound conceptual basis for changes likely to be demanded in the near future.

Those arguing for the status quo advanced a variety of reasons, ranging from “if it ain’t broke, don’t fix it” to the belief that too much had already been invested in the current measure to allow a redesigned or totally new concept to find public acceptance. Some participants were of the view that there is neither a compelling political interest in redefining the poverty concept nor a consensus on what a new definition should or could measure.

**Other participants strongly supported a study to review, synthesize, and evaluate the existing research; assess needs in the areas of data for income and poverty analysis that are not met by the existing measures; or establish criteria for income and poverty measures.**

**There was general agreement that the subject should be revisited on a regular basis, both to provide a continuing forum on developments in the area and an exchange of views among those concerned with the subject and to appraise the need for a more extensive effort.**



## References and Bibliography

**Aaron, Henry**

- 1985 "Comments on Evaluation of Census Bureau Procedures for the Measurement of Noncash Benefits and the Incidence of Poverty by Barry Chiswick." Paper presented at the Bureau of the Census Conference on the Measurement of Noncash Benefits, Williamsburg, VA.

**Atkinson, A.B.**

- In press "Income Maintenance and Social Insurance: A Survey," in *Handbook of Public Economics*, Alan Auerbach and Martin Feldstein, eds. Amsterdam: North Holland Publications.

**Auletta, Kenneth**

- 1985 *The Underclass*. New York: Random House.

**Bane, Mary Jo, and Ellwood, David**

- 1984 "Single Mothers and Their Living Arrangements." Contract No. 100-82-0038, U.S. Department of Health and Human Services, Washington, D.C.

- 1983 "Slipping Into and Out of Poverty: The Dynamics of Spells." Working Paper 1199, National Bureau of Economic Research, Cambridge, MA.

**Bergmann, Barbara**

- 1983 "Setting appropriate levels of child-support payments," in *The Parental Child-Support Obligation: Research, Practice, and Social Policy*, Judith Cassetty, ed. Lexington, MA: Lexington Books, D.C. Heath and Company.

**Birdsall, William C.**

- 1984 "The Value of the Official Poverty Statistics." Paper presented for the Sixth Annual Research Conference of the Association for Public Policy and Management, New Orleans.

**Blank, Rebecca, and Blinder, Alan**

- 1982 "Macroeconomics, income distribution, and poverty," in *Fighting Poverty: What Works and What Doesn't*, Sheldon Danziger and Daniel Weinberg, eds. Cambridge: Harvard University Press.

**Blinder, Alan**

- 1982 "The Truce in the War on Poverty: Where Do We Go From Here?" National Policy Paper. National Policy Exchange, Washington, D.C.

**Browning, Edgar K., and Johnson, William R.**

- 1984 "The trade-off between equality and efficiency." *Journal of Political Economy*, 92(2):175-203.

**Bureau of the Census**

- 1986 *Conference on the Measurement of Noncash Benefits, Proceedings—Vol. 1*. Washington, DC: U.S. Department of Commerce.
- 1985a "After-tax money income estimates of households, 1983," *Current Population Reports*, Series P-23, No. 143. Washington, D.C.: U.S. Department of Commerce.
- 1985b *After-Tax Money Income Estimates of Households*, Current Population Reports, Special Studies, Series P-23, Nos. 147 (1984) and 157 (1985). Washington, D.C.: U.S. Department of Commerce.
- 1985c "Characteristics of the population below the poverty level: 1980," *Current Population Reports*, Series P-60, No. 133. Washington, D.C.: U.S. Department of Commerce.
- 1985d "Child support and alimony: 1983," Current Population Reports, Series P-23, No. 141. Washington, D.C.: U.S. Department of Commerce.
- 1984 *Estimates of Poverty Including the Value of Noncash Benefits, 1984*. Technical Paper 55. Washington, D.C.: U.S. Government Printing Office.

**Burtless, Gary**

- 1986 "Public spending for the poor: Trends, prospects and economic limits," in *Fighting Poverty: What Works and What Doesn't*, Sheldon Danziger and Daniel Weinberg, eds. Cambridge: Harvard University Press.

- Cherlin, Andrew  
1981 *Marriage, Divorce, Remarriage*. Cambridge/London: Harvard University Press.
- Chiswick, Barry  
1985 "Evaluation of Census Bureau Procedures for the Measurement of Non-Cash Benefits and the Incidence of Poverty." Paper presented at the Bureau of the Census Conference on the Measurement of Noncash Benefits, Williamsburg, VA.
- Corcoran, Mary, Duncan, Greg, Gurin, Gerald, and Gurin, Patricia  
1985 "Myths and reality: The causes and persistence of poverty," *Journal of Policy Analysis and Management*, Summer, 5(4):516-536.
- Danziger, Sheldon  
In press "Recent trends in poverty and the antipoverty effectiveness of income transfers," in *The Distributional Impacts of Public Policy*, Sheldon Danziger and Kent Portney, eds. London: McMillan Press.
- Danziger, Sheldon, and Gottschalk, Peter  
1986 "Do rising tides lift all boats? The impact of secular and cyclical changes in poverty," *American Economic Review*, May, 76(2):405-410.  
1985 "The impact of budget cuts and economic conditions on poverty," *American Economic Review*, May, 76(2):405-410.
- Danziger, Sheldon, Haveman, Robert, and Plotnick, Robert  
1986 "Antipoverty policy: Effects on the poor and the nonpoor," in *Fighting Poverty: What Works and What Doesn't*, Sheldon Danziger and Daniel Weinberg, eds. Cambridge: Harvard University Press.
- Danziger, Sheldon, and Plotnick, Robert  
In press "Poverty and policy: Lessons of the last two decades," *Social Science Review*.
- David, Martin, and Fitzgerald, John  
1986 "Measuring Poverty and Crises: A Comparison of Annual and Subannual Accounting Periods Using the Survey of Income and Program Participation." Institute for Research on Poverty, Madison, WI.
- Duncan, Greg, ed.  
1984 *Years of Poverty, Years of Plenty*. Ann Arbor: University of Michigan Press.
- Duncan, Greg, Coe, Richard, and Hill, Martha  
1984 "The dynamics of poverty," in *Years of Poverty, Years of Plenty*, Greg Duncan, ed. Ann Arbor: University of Michigan.

**Duncan, Greg, and Hoffman, Saul**

In press "Welfare dynamics and the nature of need," *Cato Journal*.

1985 "Welfare Dynamics and Welfare Policy: Past Evidence and Future Research Directions." Paper for the Association for Public Policy Analysis and Management, Washington, D.C.

**Ellwood, David, and Bane, Mary Jo**

1984 "The Impact of AFDC on Family Structure and Living Arrangements." Grant 92A-82, Department of Health and Human Services, Washington, D.C.

**Ellwood, David, and Summers, Lawrence**

1986 "Poverty in America: Is welfare the answer or the problem?" in *Fighting Poverty: What Works and What Doesn't*, Sheldon Danziger and Daniel Weinberg, eds. Cambridge: Harvard University Press.

1985 "Measuring Income: What Kind Should Be In?" Paper presented at the Bureau of the Census Conference on the Measurement of Noncash Benefits, Williamsburg, VA.

**Fendler, Carol, and Orshansky, Mollie**

1979 "Improving the poverty definition," in *Statistical Uses of Administrative Records with Emphasis on Mortality and Disability Research*. Social Security Administration, Office of Research and Statistics. Washington, D. C.: U. S. Department of Health, Education and Welfare.

**Garfinkel, Irwin**

1985 "Child Support Assurance: A New Tool for Achieving Social Security." Institute for Research on Poverty, University of Wisconsin, Madison, WI.

**Garfinkel, Irwin, and McLanahan, Sara**

In press *Single-Mother Families and Public Policy: A New American Dilemma*. Washington, D.C.: The Urban Institute Press.

1986 *Single Mothers and Their Children: A New American Dilemma*. Washington, D.C.: Urban Institute Press.

**Gottschalk, Peter, and Danziger, Sheldon**

1985 "A framework for evaluating the effects of economic growth and transfers on poverty," *American Economic Review*, March, 75(1):153-161.

1984 "Macroeconomic conditions, income transfers, and the trend in poverty," in *The Social Contract Revisited*, D. Lee Bawden, ed. Washington, D.C.: The Urban Institute Press.



- Green, Gordon, and Welniak, Edward  
1982 "Changing Family Composition and Income Differentials." Special Demographic Analyses, U. S. Bureau of the Census, CDS-80-7. Washington, D.C.: U.S. Department of Commerce.
- Hanushek, Eric, and Williams, Roberton  
1985 "Alternative Poverty Measures and the Allocation of Federal Benefits." Paper presented at the Bureau of the Census Conference on the Measurement of Noncash Benefits, Williamsburg, VA.
- Haveman, Robert  
1987 *Poverty Policy and Poverty Research: The Great Society and the Social Sciences*. Madison: The University of Wisconsin Press.
- Hill, Martha  
1985 "Child Support: What Absent Fathers Do and Could Provide." Paper prepared for the Population Association of America Meetings, Boston, MA.
- Hoagland, G. William  
1982 "The effectiveness of current transfer programs in reducing poverty," pp. 53-75 in *Welfare Reform in America*, Paul Sommers, ed. Boston/The Hague: Kluwer-Nijhoff Publishing.
- Hoffman, Saul, and Duncan, Greg  
1986 "A Choice-Based Analysis of Remarriage and Welfare Decisions of Divorced Women." Paper for the Population Association of America, San Francisco, CA.
- Institute for Research on Poverty  
1982 "Valuing in-kind transfers," Focus, *IRP Newsletter*, 6(1):13-14.
- Jencks, Christopher  
In press "The politics of income measurement," in *The Political Economy of National Statistics*, William Alonso and Paul Starr, eds. New York: Basic Books.
- Jencks, Christopher, and Mayer, Susan  
1987 "Poverty and Hardship: How We Made Progress While Convincing Ourselves That We Were Losing Ground." Interim Report to the Ford Foundation, New York.
- Kondratas, S. Anna  
1985 "Poverty and equity: Problems of definition," *Journal of the Institute for Socioeconomic Studies*, 9(4):37-48.  
1984 "The Problems of Measuring Poverty." Background paper for the Heritage Foundation. Washington D.C.

**Lampman, Robert**

1984 *Social Welfare Spending: Accounting for Changes from 1950-1978*. New York: Academic Press.

**McNeil, John, and Ryscavage, Paul**

1985 "Valuation of noncash benefits," pp. 379-392 in *Proceedings of the U.S. Bureau of the Census First Annual Research Conference*, Reston, VA.

**Michael, Robert, Fuchs, Victor, and Scott, Sharon**

1980 "Changes in the propensity to live alone: 1950-1976," *Demography*, February, 17(1):39-53.

**Moon, Marilyn**

1984 *Economic Transfers in the United States*. Chicago: University of Chicago Press.

**Moore, Kristin, and Burt, Martha**

1982 *Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing*. Washington, D.C.: The Urban Institute Press.

**Murray, Charles**

1984 *Losing Ground: American Social Policy, 1950-1980*. New York: Basic Books, Inc.

**Oellerich, Donald, and Garfinkel, Irwin**

1983 "Distributional impact of existing and alternative child support systems," *Policy Studies Journal*, September, 12(1):119-130.

**O'Neill, June, Wolf, Douglas, Bassi, Laurie and Hannan, Michael**

1984 *An Analysis of Time on Welfare*. Washington, D. C.: The Urban Institute.

**Orshansky, Mollie**

1969 "How poverty is measured," *Monthly Labor Review*, February, 92(2):37-41.

1965a "Counting the poor: Another look at the poverty profile," *Social Security Bulletin*, January, 28(1):3-29.

1965b "Who's who among the poor: A demographic view of poverty 1965." *Social Security Bulletin*, July, 28(7):3-32.

**Paglin, Morton**

1985 "Gaining Ground or Losing Contact: A Critique of the New Census Poverty Estimates." Paper for the Southern Economic Association, Dallas.

1982 "How effective is our multiple benefit anti-poverty program?" in *Welfare Reform in America*, Paul Sommers, ed. Boston/The Hague: Kluwer-Nijhoff Publishing.

**Pechman, Joseph**

1985 *Who Paid Taxes, 1966-1985?* Washington, D.C.: The Brookings Institution.

- Plant, Mark**  
1984 "An empirical analysis of welfare dependence," *American Economic Review*, September, 74(4):673-684.
- Plotnick, Robert**  
1984 "The redistributive impact of cash transfers," *Public Finance Quarterly*, January, 12(1):27-50.
- Robins, Philip**  
1984 "Child Support Enforcement as a Means of Reducing Welfare Dependency and Poverty." Institute for Research on Poverty Discussion Paper #758-84, University of Wisconsin, Madison, WI.
- Ross, Christine**  
1985 "The Trend in Poverty, 1965-1984." Institute for Research on Poverty, University of Wisconsin, Madison, WI.
- Ross, Christine, Danziger, Sheldon, and Smolensky, Eugene**  
1985 "The Level and Trend in Poverty, 1939-1979." Institute for Research on Poverty, University of Wisconsin, Madison, WI.
- Ruggles, Patricia, and Williams, Roberton**  
1986 "Transitions In and Out of Poverty: New Data from the Survey of Income and Program Participation." Paper presented at the Annual Meetings of the Allied Social Science Associations, New Orleans.
- Ruggles, Richard, and Ruggles, Nancy**  
1985 "Discussion" [of "The treatment of noncash benefits in measuring poverty and income"], pp. 393-398 in *Proceedings of the U. S. Bureau of the Census First Annual Research Conference*. Washington, D.C.: U.S. Department of Commerce.
- Sahota, Gian Singh**  
1981 "Theories of personal income distribution: A survey," *Journal of Economic Literature*, Summer, 16(1):1-55.
- Sawhill, Isabel V.**  
In press "Poverty in the United States: What have we learned?" *Journal of Economic Literature*.  
1983 "Developing normative standards for child support payments," in *The Parental Child-Support Obligation*, Judith Cassety, ed. Lexington, MA: Lexington Books, D.C. Heath and Company.
- Slater, Courtenay**  
1984 "Concepts of poverty," *Journal of the Institute for Socioeconomic Studies*, 9(3):1-12.

**Smeeding, Timothy**

- 1984 "Is the safety net still intact," in *The Social Contract Revisited*, D. Lee Bawden, ed. Washington, D.C.: The Urban Institute Press.
- 1982a *Alternative Methods for Valuing Selected In-Kind Benefits and Measuring Their Effect on Poverty*. U. S. Bureau of the Census, Technical Paper 50. Washington, D.C.: U.S. Department of Commerce.
- 1982b "An anti-poverty effect of in-kind transfers: A 'good idea' gone too far?" *Policy Studies Journal*, 10(3):499-522.

**Smith, James P.**

- 1986 "Closing the Gap: Forty Years of Economic Progress for Blacks." Report No. R-3330-DOL, Rand Corporation, Santa Monica, CA.

**Social Security Administration**

- 1986 "Social welfare expenditures, 1963-1983," *Social Security Bulletin*, February, 49(2):12-21.

**Starr, Paul**

- 1986 "Health care for the poor: The past twenty years," in *Fighting Poverty: What Works and What Doesn't*, Sheldon Danziger and Daniel Weinberg, eds. Cambridge: Harvard University Press.

**U.S. Congress**

- 1985 *Reducing Poverty Among Children*. Washington, D.C.: U.S. Government Printing Office.

**U.S. General Accounting Office**

- 1986a *Briefing Report to Congressional Requesters: Noncash Benefits: An Evaluation of the Census Bureau's Measurement Conference*. GAO/PEMD-86-8BR, Washington, D.C.: U.S. Government Printing Office.
- 1986a *Non-Cash Benefits: Initial Results Show Valuation Methods Differentially Affect the Poor*. Program Evaluation and Methodology Division. GAO/PEMD-87-7BR. Washington, D.C.: U.S. Government Printing Office.

**U.S. House of Representatives**

- 1984 *Census and Designation of Poverty and Income*. Joint Hearing Before the Subcommittee on Census and Population of the Committee on Post Office and Civil Service and the Subcommittee on Oversight of the Committee on Ways and Means. Ninety-Eighth Congress, Second Session, Post Office and Civil Service Committee Serial No. 98-28, Ways and Means Committee Serial No. 98-87, Washington, D.C.: U.S. Government Printing Office.

1983 "Issues relating to federal poverty definitions and their use,"  
Background Material on Poverty, Committee on Ways and  
Means. Section 7:115-127. Washington, D.C.: U.S. Govern-  
ment Printing Office.

Ward, Michael

1985 "The Statistical Measurement of Poverty." Paper presented  
at the Bureau of the Census Conference on the Measurement  
of Noncash Benefits, Williamsburg, VA.

Watts, Harold W.

1985 "Have Our Measures of Poverty Gotten Poorer?" Paper  
presented at the Social Statistics Section, Annual Meeting of  
the American Statistical Association, Las Vegas, Nevada.

Weinberg, Daniel

1986 "Filling the 'poverty gap', 1979-1984: Multiple transfer  
program participation." *Journal of Human Resources*,  
20(1):64-89.

