

Measuring Poverty in America

Science or Politics?

**EMPLOYMENT
POLICIES
INSTITUTE**

April 2002

Measuring Poverty in America

Science or Politics?

Executive Summary

Who is poor in America? Beginning in the late 1960s, the federal government has tried to answer that question with an annual poverty count. Politicians and pundits alike await the government's numbers, now published each September. The shape of the September numbers and the interpretive stories accompanying their release frequently affect the election debate in November.

Although most people recognize that poverty measurement is subjective and not entirely scientific, ever since Lyndon Johnson's "War on Poverty," the United States has tried to put a quantitative gauge on economic deprivation. The government's poverty line is used to determine eligibility in many means-tested assistance programs such as Medicaid, food stamps and cash welfare. The poverty counts are used to measure the economic well-being of at-risk groups of families and individuals and the effectiveness of government anti-poverty programs. Increasingly, poverty income thresholds are being used in proposals to set minimum wages or living wage mandates.

Social Activists Say the Poverty Line Should Be Raised

Many in the policy community recognize that the current poverty measure has flaws. For example, it does not reflect in family income

in-kind government subsidies, or consider geographic difference in the cost of living. However, there is no consensus as to whether the measure needs radical surgery or merely a band-aid.

Social activists have recently begun to exploit this lack of consensus by arguing that the current measure greatly understates the extent of poverty and hardship in America. These groups, including the union-funded Economic

Policy Institute, the Ms. Foundation for Women and Wider Opportunities for Women, have developed so-called basic needs budgets for different family types and localities. The budget numbers in these studies typically range from 150 to 300 percent of the official government poverty line. For example, the Economic Policy Institute's median

basic needs budget for a two-parent, two-child working family in 1999 was \$33,511, or roughly twice the government's poverty threshold for such a family.

The activists who conduct and promote these studies have also organized a campaign to discredit the official poverty statistics. Some argue that their methodology should replace the official government approach to measuring poverty. The activists also use their higher thresholds to support proposals for an \$8.00 national minimum wage or \$13.00 or higher local government living wage mandates.

In view of the wide disparity between the activists' estimates of poverty and hardship and

The problem with expert approaches is that people may not recognize the elements of judgment involved and may prefer the experts' budgets because they appear more objective.

—Citro and Michael, *Measuring Poverty: A New Approach*, 108

the official government numbers, the American public has a right to know which perspective on the poverty issue has more validity.

The Activists Rely on an Arbitrary, Discredited Budget Methodology

In 1995, in response to a request from Congress, the National Academy of Sciences (NAS) published a report on poverty measurement in the United States. After assessing various possible approaches, including needs budget methodology, the NAS Panel recommended setting a poverty threshold at 78 to 83 percent of median spending on food, clothing and shelter plus an additional 15 to 25 percent for other items.

The Panel expressly rejected the methodology of needs budgets as excessively arbitrary, relativistic and political, and having a misleading appearance of objectivity. According to the Panel, expert budgets were not really “expert” at all, but in the final analysis looked to actual spending of the population at rather high levels of income or spending. For example, many of them used Department of Housing and Urban Development (HUD) Fair Market Rents (FMRs) to assess the needs budget. The HUD FMRs are set at the 40th percentile of the distribution of rents in decent, safe and sanitary rental units. The use of FMRs in needs budgets arbitrarily rejects 40 percent of acceptable quality housing as “beneath” the poverty population.

Other items in needs budgets are similarly overpriced. In fact, the threshold range recommended by the NAS Panel was below the thresholds used in four of the six budget studies reviewed, demonstrating that the budget studies were not only arbitrary, but their thresholds were biased upward as well.

Furthermore, defining poverty thresholds at a roughly fixed percentile of actual spending guarantees that poverty will not fall by much even when the incomes of the poor increase in

absolute and relative terms. For example, if poverty status is defined as all families below the 20th percentile of spending, this guarantees that 20 percent of all families will always appear to be in poverty.

In the hands of the activists, the concept of needs budgets has been elevated to a new art form intended not to measure poverty in America, but to exaggerate its presence. The activists’ basic needs budgets are not compiled by true experts in the physiology of basic needs. Rather, they are intended to build political support for increases in government regulation and permanent income support programs for families who are above the poverty line.

The Activists’ Poverty Estimates Should Be Rejected as Wildly Off Base

The activists’ estimates of families in hardship or poverty should be rejected as a transparent attempt to build political support for an agenda that includes higher minimum wages, living wage ordinances, higher taxes and mandated employee benefits. The Census Bureau currently publishes a wide variety of statistics on the poverty population, including its “experimental” poverty measurements that incorporate many of the NAS Panel’s recommendations.

In contrast to the activists’ budget studies, the Census program is important, and serious research that should be continued and extended. For example, the Census Bureau’s experimental poverty estimates show that if all the NAS recommendations had been adopted (at the mid-point of its threshold recommendations), the poverty rate from 1997 to 1999 would have averaged 14.8 percent compared with an average official poverty rate of 12.6 percent. While this may seem like a large discrepancy to some (about 17 percent), it certainly does not approach the 187 percent increase over

the official rate the Economic Policy Institute claims based on its basic needs budget.

The Census' "experimental" estimates also show that for two important population subgroups, children and persons in female-headed households, the official poverty estimates are very close to the estimates based on NAS methodology. For 1997-1999, the official child poverty estimate averaged 18.6 percent compared with an average of 19.3 under the NAS methodology. For the same period, poverty in

female-headed households officially averaged 29.6 percent compared with 30.1 percent under NAS methods. This establishes that the official methods are certainly acceptable for two groups of women and children frequently the focus of policy concerns, particularly in light of welfare reform.

—Richard S. Toikka
Chief Economist

Measuring Poverty in America

Science or Politics?

Table of Contents

I. Introduction	1
II. History of Poverty Measurement in the United States.....	4
III. How Much Science is There in Measuring Poverty?.....	5
IV. Why Are the Activists' Poverty Estimates So High?.....	8
V. Conclusions.....	14
<hr/>	
Figures.....	11
Endnotes.....	16
References.....	20

Measuring Poverty in America

Science or Politics?

I. Introduction

Even though most people recognize that poverty measurement is subjective and not entirely scientific, the government's official poverty measure is deeply woven into our political system. The government creates programs and policies designed specifically to reduce "poverty." Politicians carefully assess the political implications of the federal government's annual release of its poverty estimates. Eligibility for means-tested programs such as Medicaid and Temporary Assistance for Needy Families (TANF) are based on current poverty guidelines.¹ Even though most in the policy community admit that the current poverty measure has its flaws, there is no consensus as to whether or how it should be revised.

Social activists have begun an intensive campaign to convince the American public that the government's poverty statistics understate the extent of economic hardship in America, and that the poverty thresholds should be revised upward dramatically. The activists typically buttress their arguments with data from "basic needs" budget studies, which they prepare themselves. Such studies typically claim that a minimally adequate budget ranges from 150 to 300 percent of the federal government poverty thresholds. Recent examples of such budget studies include the Economic Policy Institute's (EPI's) *Hardships in America: The Real Story of Working Families*, the Ms. Foundation for Women-funded *Raise the Floor: Wages and Policies That Work For All Of Us*, and a series of reports by Wider Opportunities for Women based on Diana Pearce's so-called Self-Sufficiency Standard.²

The media have picked up many of these reports that imply the activists have a better perspective on the cost of living issue. Some recent examples:

Official claims that poverty in the United States fell to its lowest level last year are wildly off the mark, researchers say.

The Census Bureau appears to be severely undercounting the number of poor families and its poverty threshold is unrealistically low, according to a study published by the Ms. Foundation, a non-governmental organization.

The 246-page report, "Raise the Floor: Wages and Policies That Work for All of Us," says the official poverty level is so low that a family can be technically above it and yet have only half the money it needs to pay for housing and essential needs.

The Census Bureau...says poverty hit an all-time low in 2000, at 11.3 percent of the national population or 31.1 million people. The real number of people living in difficulty, with incomes up to 200 percent of the poverty line, is 80.6 million, according to the Ms. report—two and a half times the government figure. Many of those struggling, it adds, have jobs but are considered "working poor. ..."

The report's authors advocate raising the federal minimum wage from what they say is an unrealistic \$5.15 per hour, to at least \$8 per hour, a "national floor" they say would enable workers to meet a minimum needs budget...

"Living wage" campaigns have blossomed across the country to advance the cause of

raising the minimum wage. In Providence, in the state of Rhode Island, Direct Action for Rights and Equality (DARE) is trying to pass a citywide living wage ordinance that would set the minimum wage at \$12.30 per hour for all municipal employees and workers at businesses that receive city contracts of \$25,000 or more.³

—Emily Weinstein, Staff
Inter Press Service
October 9, 2001

[A] report issued July 24 by the Washington, D.C.-based Economic Policy Institute... shows that 29 percent of families with young children do not earn enough to live at any acceptable level of comfort and security...

The EPI researchers got to this appallingly high number by calculating the basic—make that very basic—budget a family needs to live on. This budget includes health insurance, child-care costs and telephone, but no meals out, vacations, movies, cigarettes, beer or other indulgences.

But they get by, don't they? Not exactly. Of the families who earned less than the "basic" budget, which amounts to \$33,511 for a family of four...⁴

—Barbara Ehrenreich, Editorial
Newsday (New York, NY)
August 6, 2001

By clinging to an obsolete definition of poverty, affluent Americans lull themselves into a false sense of complacency about the lives of so many of their fellow citizens. **We need to adopt a more up-to-date measure of poverty, such as those being devised by the Economic Policy Institute and scholars such as Diana Pearce at the University of Washington in Seattle.** (Emphasis supplied.)⁵

—Barbara Ehrenreich, Prepared testimony before the Senate Health, Education, Labor and Pensions Committee
Federal News Service
February 14, 2002

[T]he "Self-Sufficiency Standard," which defines how much it costs to live without any government assistance, estimates that most people in minimum-wage jobs would need to make at least \$10 an hour just to cover basics like child care, transportation and food...

Living costs vary from county to county. For example, a single mother with two children in Louisville would need to make about \$17 an hour to become self-sufficient, while in Pike County, that same family could subsist on \$13.28 an hour...

[A]ccording to Abby Hughes Holsclaw, policy analyst with Kentucky Youth Advocates... We now have solid evidence that it takes at least \$10 an hour in income for a family to meet their real needs.⁶

—Linda B. Blackford, Staff Writer
Lexington Herald Leader
November 29, 2001

A women's service organization has made a calculation using official data of basic household costs, including housing, child care, food, health care, transportation, "miscellaneous" expenses such as clothing, and taxes to create a "bare bones" budget for families in Norfolk and Plymouth counties. Called the Self-Sufficiency Standard, it places **the bottom-line cost of living for a family of four in the region at \$42,540.** The figure is based on expense data from 1997. Those costs have risen during the past four years. ...[T]he Women's Educational and Industrial Union sees the Self-Sufficiency Standard as a reasonable, fact-based starting point for determining the real cost of living and **urges the state to adopt it as an official measurement and update it regularly.** (Emphasis supplied.)⁷

—Robert Knox, Globe Correspondent
The Boston Globe
January 3, 2002

Activists are attempting to redefine the poverty or hardship threshold to gain political support for proposals to increase government

regulation and spending. Their policy suggestions include passing local living wage ordinances to set wages based on the needs of families of three or four rather than on employees' skill and productivity. However, recent research has shown that in 2000, 86 percent of those earning between \$5.15 and \$6.65 are not the sole supporters of families with children, an important target group of many of these budget studies. The average family income of these same low-wage workers exceeds \$42,000, even higher than most of the basic needs budgets produced by wage mandate advocates.⁸

At first, living wage ordinances usually only targeted employers who were recipients of contracts, tax money or subsidies from local or county government. New proposals often cover a greater number of private employers that do not have connections to local government. The basic needs budgets are being used to justify living wage proposals approaching \$15.00 an hour for entry-level employees (\$30,000 annually at full time), even though a large percentage of those affected do not have families to support.

These same activists are also using these studies to challenge the "work first" approach to welfare reform. For example, *Hardships in America* attacks the success of welfare reform by saying, "Policymakers...have adopted the view that work is the solution to poverty, and the government's role is to promote employment rather than provide income support for poor families... however, work may not be enough to ensure a decent standard of living."⁹ This statement suggests government has turned its back on the poor, leaving them to suffer. However, almost every year the government adopts new programs, expands old programs or eliminates ineffective ones with the intent of helping move families up and out of poverty.¹⁰

The activists generally ignore or downplay the fact that families have escaped poverty at an increasing rate over the past decade. Research by Dr. John Bishop of East Carolina University and Drs. John Formby and Hoseong Kim of the

University of Alabama shows that 47 percent of families in poverty in 1997 had left poverty by 1998. Expanding the analysis to include all families below twice the poverty level, roughly in the range of the activists' self-sufficiency budgets, between 1997 and 1998, 30 percent of families escaped "low-income" status.¹¹

These figures are likely to be even better for the working families that are the focus of EcPI's analysis. *Hardships in America* ignores the situation faced by families and individuals at the very bottom because they limit their analysis to only working families. Even after welfare reform, in 2000 nearly 23 percent of all families below the government's poverty line had no workers.¹²

According to EcPI's report, in 1999 basic annual family budgets for a two-parent/two-child working family ranged nationally from \$27,005 to \$52,114.¹³ The national median according to EcPI's calculations was \$33,511, or roughly twice the government's 1999 poverty threshold of \$16,895 for that family type.¹⁴ The 1999 national basic needs budget for a family of two adults and two children published in *Raise the Floor* was \$35,637 or about 111 percent above the poverty line.¹⁵ According to Diana Pearce's Self-Sufficiency Standard for Washington, D.C., in 1998 a two-adult/two-child family needed \$4,394 a month, or \$52,728 annually just to get by.¹⁶ This was 219 percent above the 1998 official poverty threshold of \$16,530.¹⁷ In view of the huge discrepancy between the social activists' figures and the official poverty line, the American public has a right to know which perspective on the poverty issue has more validity.

After a careful review of the various approaches to measuring poverty, we conclude that the budget study numbers are wildly exaggerated, suggesting an ulterior political motive on the part of those who prepare them. The activists' estimates of poverty or hardship are arbitrary and biased upward. **They are also based on an unsound relativistic definition of poverty under which poverty can never fall even if incomes of the poor increase in absolute and relative terms.**

II. History of Poverty Measurement in the United States

The United States is one of the few developed countries to have an official poverty measure.¹⁸ Often other countries unofficially estimate poverty based on benefit standards in public assistance programs.¹⁹ Although a larger fraction of the United States' population was in poverty during the Great Depression than at any time since, we did not begin to measure poverty until the 1960s, a time of prosperity.²⁰

The first U.S. poverty estimates were prepared by Mollie Orshansky, an economist at the Social Security Administration (SSA).²¹ Her intention, however, was not to provide a national poverty indicator. Instead, she wanted to “develop a measure to assess the relative risk of low-income status among different demographic groups of families with children.”²² By using different income cutoff levels for family types in the low-income population, it would be possible to gauge the degree to which various population groups were at risk of being in low-income status under the various thresholds.

However, Orshansky's research efforts coincided in time with the Johnson Administration's “War on Poverty.”²³ The President's Council of Economic Advisors (CEA) was interested in a national poverty measure, and the 1964 Economic Report of the President contained a chapter on poverty in America.²⁴ There was strong political pressure to provide a quantitative measure of poverty as a baseline to measure the success of the government's anti-poverty programs.

Orshansky proposed two alternative measures of low-income status: one based on the Department of Agriculture's Economy Food Plan and another on its Low-Cost Food Plan.²⁵ Based on survey results showing that families generally spent about one-third of their (after-tax) income on food, she proposed scaling up the cost of the Economy and Low-Cost Food Plans for families of different sizes by a factor

of three to get poverty income thresholds.²⁶ The number of individuals and families in poverty were estimated by applying these thresholds against data on cash income of American families from the Current Population Survey.²⁷

The initial Orshansky poverty threshold (in 1962 dollars) for a non-farm family of four was \$3,165.²⁸ Independently, the CEA recommended a poverty line of \$3,000 for all families.²⁹ In 1965, the Office of Economic Opportunity (OEO), adopted the Orshansky poverty thresholds based on the “economy level” food plan.³⁰ In 1969, the thresholds, adjusted for inflation using the Consumer Price Index, were designated as government's official statistical definition of poverty.³¹

Almost immediately, it became apparent that the thresholds, while adequate as a research tool (which Orshansky originally intended), had numerous problems as a national poverty measure. For example, although the need-based thresholds were defined in terms of after-tax dollars, the measure of family resources (income) was formulated in terms of before-tax income.³² This meant that income would be overstated for families who paid more in taxes than they received in government in-kind benefits (e.g., food stamps, housing subsidies, etc.), and understated for families who received more in government in-kind benefits than they paid in taxes. Another problem was that poverty rates could not be accurately compared across regions, states and cities because the thresholds were not adjusted for geographic differences in the cost of living.³³

Disputes broke out within the government over technical issues related to how the poverty measure should be adjusted to include taxes and changes in the general standard of living.³⁴ However, instead of abandoning the measure, or relying on a variety of poverty indicators (e.g., geographic and group specific employment and income statistics), the government embarked on a continuing campaign to improve and refine the single “official” measure of poverty.³⁵

Because of inter-agency squabbling over how

the measure should be refined, the Census Bureau retained responsibility for publishing the poverty numbers, but no single agency was given primary responsibility for maintaining the definition of poverty and conducting research related to poverty.³⁶ This is a good example of how politics created a demand for a credible poverty statistic that exceeded the capability of the government to deliver.

In 1990, because of continuing political interest in poverty measurement, Congress requested that the National Research Council (NRC) of the National Academy of Sciences study the subject.³⁷ In 1992, the NRC appointed a Panel on Poverty and Family Assistance (with 13 academic experts) to conduct the study.³⁸ The Panel, chaired by Robert T. Michael of the University of Chicago, produced its 501-page report in 1995.³⁹

Although Congress may have expected a panel of academic experts to recommend improvements in the science of poverty measurement, the Panel made it clear that defining poverty was not a “scientific” endeavor. In the Introduction to its Report, the Panel stated:

Science alone cannot determine whether a person is or is not poor. Thus, there is no scientific basis on which one might unequivocally accept or reject a...concept for developing an official poverty measure. ...Given the limits of science, other criteria must be brought to bear in weighing alternatives and reaching decisions about an appropriate concept to underlie an official poverty indicator.⁴⁰

No concept of economic poverty, whether ours or another, will of itself determine a level for a poverty threshold. That determination necessarily involves judgment.⁴¹

As it turned out, there was no consensus among the Panel members on the non-scientific aspects of poverty definition and measurement. As panel member John Cogan of the Hoover Institute stated in his Dissent:

The major recommendations and conclusions for changing the measurement of poverty...are not based on scientific evidence. They lie well outside the National Research Council’s stated mission “to deliver science advice” to the government.... Instead of focusing on those areas where science can make a contribution, the report is devoted to recommendations and conclusions that are driven by value judgments. ...They are value judgments made by scientists—with a particular point of view.⁴²

The value judgments of scientists (or social activists) are no more worthy of reflection in the poverty standards than the value judgments of other Americans. Congress may have wished to give the government’s poverty standards the imprimatur of an objective panel of social scientists. However, if their analysis is infused with their individual value judgments, Congress has passed the buck on an essentially political question. It is, therefore, instructive to consider the extent to which poverty measurement is scientific, and thus the proper domain of experts, and the extent to which it reflects individual value judgments, placing it squarely in the domain of politics.

III. How Much Science is There in Measuring Poverty?

As the report of the NAS Panel acknowledged, poverty measurement is a mix of science and “other criteria.”⁴³ The Panel set forth three criteria by which to judge a poverty measure: political acceptability, statistical defensibility and operational feasibility. Obviously, the first criterion—political acceptability—has nothing to do with science per se. However, it may have been the hope of Congress that the recommendations of the NAS Panel would obtain political support because of the stature of its members. Certainly, statistical science is important in ensuring that the second criterion—statistical defensibility—is satisfied. Once poverty concepts are defined, statistical science can assist in determining how the concepts should

be measured and in assessing the reliability of those measurements. The third criterion—operational feasibility—appears to be primarily a management issue, but with other such issues, economics and operations research can assist in assessing the consequences of operational choices. Managers may face trade-offs, for example, between keeping costs within budget, ensuring high reliability and maintaining the currency and consistency of poverty measures.

A. Resource Definition and Measurement

In general, poverty measurement involves defining the concepts of family resources and needs to be subject to scientific measurement. The least controversial of these is the definition of resources. There is little disagreement that, to the extent feasible, all resources available to a family should be measured. Science has much to offer in deriving accurate counts of the number of low-income persons and families and in measuring the resources available to them.⁴⁴

The Orshansky poverty measure used cash income as the resource concept. She adopted this over a more comprehensive income definition primarily because of data limitations. A more accurate measure of the resources available to a family would adjust for taxes paid and in-kind government benefits received. The Census Bureau publishes such a more comprehensive measure of resources but it is not the basis for the official poverty counts, which are based on family cash income.

Because government in-kind benefits and tax credits have expanded since the 1960s, the cash definition of resources has become increasingly inappropriate. Orshansky believed that using before-tax cash income would lead to a “conservative under-estimate” of poverty. However, the reverse is true today. **Ignoring the government in-kind and tax subsidy benefits available to poor families overstates the number of individuals and families in poverty.** Table 1 shows the Census Bureau’s official poverty estimates based

on cash income and also its experimental poverty estimates based on income that includes in-kind government benefits and tax subsidies for the period from 1979 to 2000.⁴⁵ Poverty based on cash income is increasingly overstated as more government programs provided in-kind or tax subsidies to the low-income population. The traditional poverty rate, which was 21.7 percent higher than the comprehensive income poverty rate in 1981, increased to 31.4 percent the comprehensive income poverty rate in 2000.⁴⁶

Table 1. Comparison of Poverty Rates Using Cash Income and Comprehensive Income

Year	Cash Income	Comprehensive Income
2000	11.3%	8.6%
1999	11.8%	8.8%
1998	12.7%	9.5%
1997	13.3%	10.0%
1996	13.7%	10.2%
1995	13.8%	10.3%
1994	14.5%	11.1%
1993	15.1%	12.1%
1992	14.8%	11.9%
1991	14.2%	11.4%
1990	13.5%	10.9%
1989	12.8%	10.4%
1988	13.0%	10.8%
1987	13.4%	11.0%
1986	13.6%	11.3%
1985	14.0%	11.7%
1984	14.4%	12.0%
1983	15.2%	12.7%
1982	15.0%	12.3%
1981	14.0%	11.5%
1980	13.0%	10.1%
1979	11.7%	8.9%

Source: U.S. Bureau of the Census, *Table RDP-5. Percent of People in Poverty, by Definition of Income: 1979 to 2000*. Cash Income poverty is calculated using Definition 1 and Comprehensive Income is Calculated using Definition 14.

B. Needs Definition and Measurement

Definition and measurement for family needs is far more controversial, subjective and political than for resources. It is the element of subjectivity in assessing basic needs that allows social activists to use high self-sufficiency standards to advocate for the expansion of government wage mandates and social programs. The NAS Panel knew that needs assessments can be extremely subjective. The Panel's report concluded that whether needs thresholds are defined relative to actual consumption expenditures or income, or by some expert standard of basic needs, there is a significant subjective component. For example, the Panel's report stated:

The literature often distinguishes between "absolute" and "relative" poverty thresholds. Absolute thresholds are fixed at a point in time and updated solely for price changes; relative thresholds are updated regularly (usually annually) for changes in real consumption.... Absolute thresholds generally carry the connotation that they are developed...with reference to basic physiological needs (e.g., nutritional needs). In contrast, relative thresholds, as commonly defined, are developed... with reference to the actual expenditures (or income) of the population....One criticism of relative thresholds is that the choice of the expenditure or income cut-off is *arbitrary and subjective*, rather than reflecting an objective standard of economic deprivation. However, it is important to stress that relative poverty thresholds are not so distinct as one might imagine from thresholds developed according to expert standards of need: the latter also embody a great deal of relativity and *subjectivity*. (Emphasis supplied.)⁴⁷

In view of the Panel's concern over the inherent subjectivity of defining need thresholds, it adopted a number of strategies to reduce the subjective component of such thresholds.

First, it proposed a range for the thresholds, based on what the Panel members considered "rea-

sonable" in view of a wide range of studies that used admittedly subjective relative and absolute definitions for the thresholds.⁴⁸ The Panel's range was strikingly broad. The Panel's recommended range would have raised the current (1992) threshold for a two-adult/two-child reference family of four by from 14 to 33 percent (corresponding to 78 to 83 percent of median spending on food, clothing and shelter plus an additional 15 to 25 percent to account for other needs).⁴⁹

Obviously, the Panel could not reach consensus on the level of a needs threshold. The wide range likely speaks more to the variation in individual Panel members' views on the dollar income necessary to meet basic needs than to any scientific disputes over poverty measurement.⁵⁰ However, it is clear that the Panel considered the 33 percent increase to be the outer limit on a "reasonable" poverty line.⁵¹

Second, the Panel developed a procedure for assessing the effects of its proposed changes on the distribution of poverty while maintaining the overall estimate at its level under the old methodology.⁵² Indeed, the Panel considered it just as important to assess the effects of their recommendations on the distribution of poverty across population groups as on the level. Although the threshold level may reflect arbitrary and subjective judgments, the distribution of poverty is more likely to be determined by objective factors such as differences across groups in work-related expenses and regional differences in the cost of living.

Third, instead of adopting a relative standard for poverty that would have the thresholds adjusted each year for the change in total consumption expenditures of the population, the Panel recommended that the thresholds be increased to account for changes in consumption of goods and services in the poverty budget (i.e., food, clothing and shelter).⁵³ This would prevent poverty thresholds from increasing when the non-poor spent more on goods and services that were not required to satisfy basic needs.

C. The Census Bureau's Experimental Poverty Measures

Following the Panel's recommendations, the Census Bureau expanded its program of research into experimental poverty measures. The Census Bureau's research is important because it provides a sense of what the impact of the NAS Panel's recommendations would be on poverty estimates. The Census Bureau also continued its research into a variety of measurement issues identified by the Panel as needing further research. These efforts culminated in the publication of several new Census reports on experimental poverty measures.⁵⁴

In its reports, the Census Bureau attempted to implement the NAS Panel's recommendations. It recomputed poverty measures for past years using the Panel's recommendations with and without standardization to overall poverty in 1997. The Census Bureau also reported poverty estimates based on several alternative methods for dealing with child care and medical expenses, and with and without corrections for geographic differences in price levels.

The Census reports are useful in assessing how much difference the NAS Panel recommendations, if implemented, would make in both overall and sub-group poverty rates. For example, from 1997 to 1999, the Census Bureau's experimental estimate of poverty averaged 14.8 percent using the Panel's technical recommendations (including updating for expenditure growth) and the mid-point of the Panel's recommended "reasonable range" for expenditures on food, clothing and shelter plus a multiplier.⁵⁵ This compared with an official poverty rate of 12.6 percent.⁵⁶ While this may seem to some like a large upward revision in poverty (about 17 percent), it certainly does not approach the 187 percent increase that the Economic Policy Institute claims based on its basic needs budgets.⁵⁷

When we look more closely at the poverty rates for high-risk groups such as children and

female-headed households, we find even more evidence to rebut the extreme claims of the social activists. For example, from 1997 to 1999, child poverty averaged 19.4 percent based on the NAS methods reflecting an increase of less than 4 percent from the official average of 18.6 percent.⁵⁸ For the same period, the average poverty rate for persons in female-headed households rose by less than 2 percent from 29.6 percent to 30.2 percent when the NAS methods were applied.⁵⁹ By comparison, for the same period, the EcPI report claims that child poverty based on basic needs budgets was 171 percent higher than the official estimate and that the poverty rate for one-adult/two-child households was 118 percent higher than the official estimate.⁶⁰ Since much of the concern over poverty measurement has focused on children and female-headed families, these comparisons demonstrate that even the sophisticated adjustments recommended by the NAS Panel do not change poverty rates much for these two key groups, whose poverty is frequently the focus of much policy debate. The comparison also shows that the EcPI basic needs budget analysis produced wild and unreasonable overestimates of the child poverty population.

Why are the estimates of the social activists so much at variance with the official poverty statistics and the revised statistics recommended by the NAS Panel? As we show in the next section, the explanation lies primarily in the manipulation of the cost of items included in family budgets in the basic needs studies. Such budget studies were rejected by the NAS Panel as involving too many subjective choices.⁶¹

IV. Why Are the Activists' Poverty Estimates So High?

There has been a recent rash of basic needs-type budgets studies, which have been used by their proponents to ridicule the official poverty estimates and to argue for radical changes in labor and social policy to raise wages without regard

to skills or productivity. While the concept of basic needs budgets is not new, its use by the social activists has elevated it to a new art form intended not to estimate poverty in America, but to exaggerate its presence. The NAS Panel found that needs budget poverty thresholds, even when crafted by genuine experts, were unduly subjective and rejected many of them as having unreasonably high thresholds.⁶² The social activists' basic needs budgets are not compiled by true experts on human needs and are designed to build political support for increases in government regulation (including wage mandates) and public spending on families who are not in poverty.

A. The NAS Panel Rejected Expert Basic Needs Budgets

The NAS Panel considered whether to base official poverty figures on "expert" basic needs budgets and rejected this approach. The Panel found the expert budget approach fraught with subjectivity, bias and political considerations. The Panel also rejected many of the thresholds resulting from these studies as unreasonably high.⁶³ Finally, the Panel found the expert needs budget approach to be excessively relativistic, resulting in a poverty measure that was incapable of meaningfully reflecting changes in the absolute and relative income status of low-income families.

1. Expert Budgets Appear Scientific But Are Excessively Subjective

Commenting on the problems in using expert budgets to measure poverty, the NAS Panel's report stated:

Although expert budgets are generally intended to be derived in an objective manner, with a strong grounding in human physiological requirements, large elements of relativity and subjective judgment invariably enter the process. Thus, for every category for which an explicit budget figure is developed, judg-

ments must be made about the composition of the category and the dollar value that is appropriate for a poverty standard.⁶⁴

Moreover, inevitably such judgments also make reference to actual spending patterns as opposed to strictly physiological based standards of need. This is true even when the budget makers adopt expert standards from another source, such as the USDA food plans or the HUD fair market rents: we have seen the elements of relativity (and, indeed, political considerations) that enter into those standards.⁶⁵

The problem with expert approaches is that people may not recognize the elements of judgment involved and may prefer the experts' budgets because they appear more objective.⁶⁶

Thus, the Panel laid to rest the bogus claims that budget studies were desirable because they embodied scientific and objective methods.

2. The Thresholds From Many Budget Studies Are Unreasonably High

The NAS Panel reviewed ten thresholds proposed in the literature on poverty measurement. Of the approaches reviewed, six were expert budget thresholds, two were relative thresholds (i.e., as a fraction of average or median income or expenditures), and two were survey-based.⁶⁷ The ten thresholds, when converted to the NAS Panel's budget concept, ranged in 1992 from a low of \$13,100 to a high of \$18,300, or 9 to 53 percent above the official threshold.⁶⁸

The Panel, however, truncated this range downward in its recommendations to \$13,700 to \$15,900 (14 to 33 percent above the official threshold). This amounted to dropping from consideration the thresholds from six of the ten studies reviewed.⁶⁹ Significantly, five of the six expert budget thresholds were dropped and four of these were above the Panel's range of "reasonable" threshold values.⁷⁰

3. *The Relativism in Many Budget Studies Means That Measured Poverty Cannot Be Significantly Reduced*

The Panel also commented that under excessively relativistic thresholds, the number of families deemed to be in poverty can never fall even if the absolute and relative incomes of the poor increase. Many of the activists' budget studies have extremely relativistic thresholds defined in terms of specified percentiles of spending by the American people. For example, in many studies, HUD Fair Market Rent (FMRs, the 40th percentile, or the median in many cases, of privately owned housing deemed by HUD to be "decent," "safe" and "sanitary" rental housing). is used to define a hardship threshold for housing, and actual spending at the lowest one-third or one-fifth percentile levels may be used to define thresholds for food or clothing.⁷¹ Because these thresholds are derived from arbitrarily selected percentiles of actual spending, their application will always result in a roughly constant fraction of the population falling below the threshold. Consequently, poverty can never be reduced regardless of how rapidly real incomes and spending of the poverty population increases. As the NAS Panel's report put it,

[T]he poverty rate cannot go down [] if the poverty level is defined each year as that [level] not exceeded by, say, the lowest 20 % of families—by definition, 20% of families are always below that level.⁷²

To see this point, imagine that we define a poverty threshold at the 20th percentile of spending. Figure 1 illustrates that at poverty threshold sp_1 , 20 percent of the population will spend less than that amount (area A). Now suppose spending by those in poverty increases so that the number of families under spending threshold sp_1 falls. This is shown as area B in Figure 2. However, because the threshold is defined in relative terms, it must now be adjusted upward until once again 20 percent of the population (area B plus area C) is in poverty at sp_2 . Thus, the choice

of percentile completely determines the poverty rate. But, as we have seen, the choice of percentile is largely arbitrary. Thus, it is not too harsh to say that under the activists' poverty definition, the computer programmer's maxim GIGO ("garbage in, garbage out") applies. The estimated poverty rate is just as arbitrary and meaningless as the choice of percentile used to define the poverty threshold.

Thus, not only are the budget study thresholds arbitrary and biased upward, they also ratchet up automatically so that a predetermined percent of the population will always appear to be in poverty.

B. The Activists Have Adopted the Discredited Basic Needs Budgets

The studies rejected by the NAS Panel are the very studies that the social activists emulate and have expanded upon to argue for a higher basic needs threshold. Incredibly, they attempt to use the NAS Panel report to support their use of basic needs budgets. For example, both *Hardships in America* and *Raise the Floor* contain misleading statements about the NAS Panel's recommendations.

The authors of *Hardships in America* badly misrepresent the Panel's core recommendation on poverty thresholds, which is stated below:

Recommendation 2.1 A poverty threshold with which to initiate a new series of official U.S. poverty statistics should be derived from Consumer Expenditure Survey data for a reference family of four persons (two adults and two children). The procedure should be to specify a *percentage of median annual expenditures* for such families on the sum of three basic goods and services—food, clothing, and shelter (including utilities)—and apply a specified multiplier to the corresponding dollar level so as to add a small amount for other needs. (Emphasis provided.)⁷³

As stated above, the Panel's recommendation for the thresholds corresponded to 78 to 83

Figure 1 Initial Period One Distribution of Household Spending and Poverty Under Specified Percentile Threshold (S_{p1})

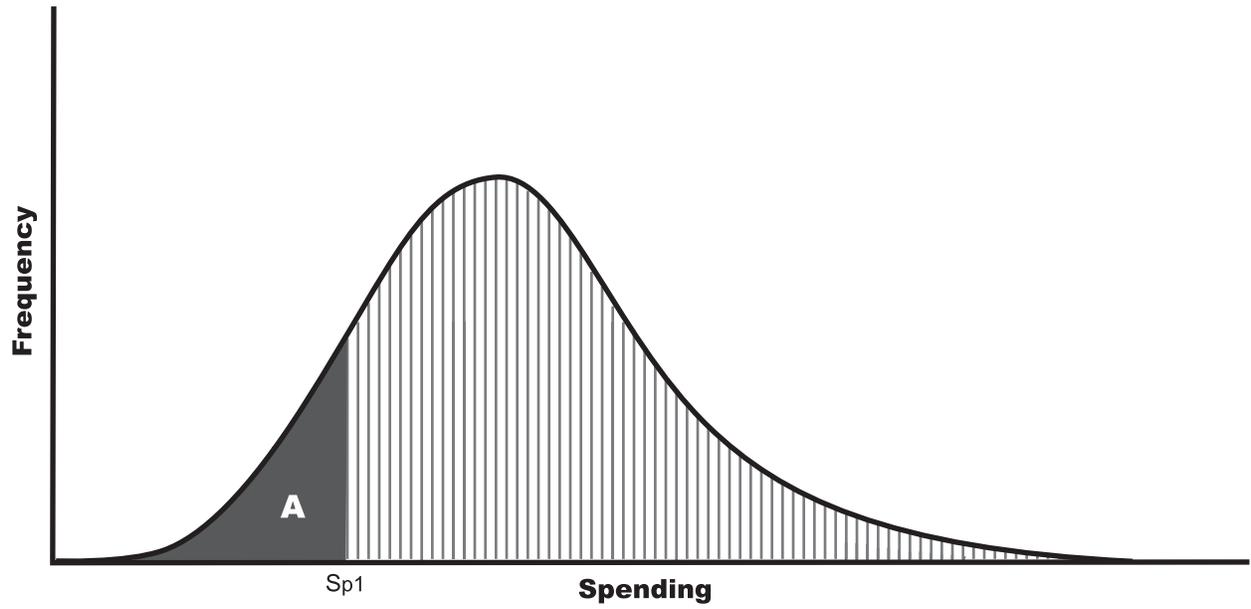
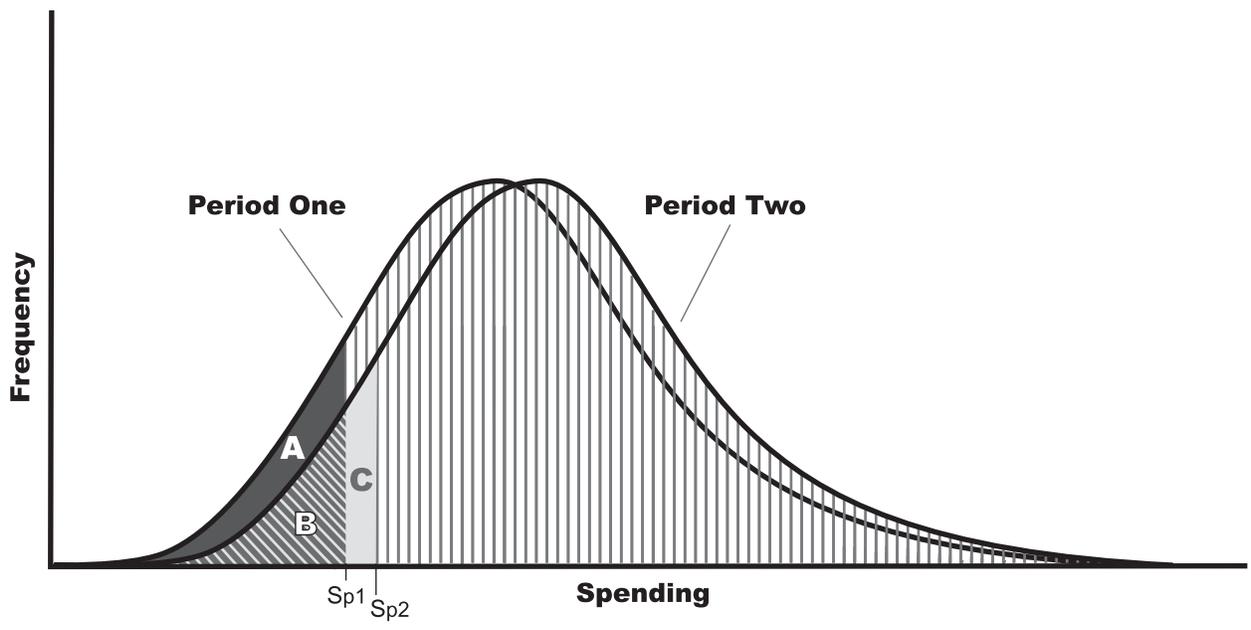


Figure 2 Distribution of Household Spending and Poverty Under Identical Specified Percentile Threshold in Period One (S_{p1}) and in Period Two (S_{p2})



Note: Figures One and Two are conceptual in design and are not based on actual data.

percent of median expenditures plus a multiplier in the range of 1.15 and 1.25 (i.e., a 15 to 25 percent allowance for other needs). However, *Hardships in America* would have us believe that

The [National Research Council] recommended basing the thresholds on the *median expenditures* of two-adult, two-child families on food, clothing, shelter, and utilities, plus a small amount for other incidentals. (Emphasis provided.)⁷⁴

The Panel certainly did not base its recommended threshold on median expenditures (the spending level reached or exceeded by one-half the families). Instead, it remarked that its recommended range for the new thresholds corresponded to the 30th to 35th percentile of spending on those items (or 78 to 83 percent of the median). By claiming the Panel wanted the poverty threshold to be based on median expenditures, EcPI has revised upward the Panel's recommended threshold levels by about 20 percent.

In another example of revisionist history, *Raise the Floor* contains the following misleading summary of the NAS Panel's deliberations:

The NAS study drew [sic] on earlier work by the Bureau of Labor Statistics, Ruggles, Renwick and Bergmann, Schwartz and Volgy, Weinberg and Lamas and others.⁷⁵

Far from "drawing on" this body of budget study research, the NAS Panel expressly rejected the methodology of expert budgets.⁷⁶ It also discarded the thresholds based on the Ruggles, Renwick and Bergmann and the two Weinberg and Lamas budgets as unreasonable.⁷⁷ Moreover, while the Panel reviewed the Bureau of Labor Statistics (BLS) budget methodology, it rejected that as well, concluding that there was little defensible science in the methodology, and finding it heavily reliant on a subjective choice of actual spending patterns.⁷⁸

It should come as no surprise that the expert budget methodology, rejected by the NAS Panel

as too subjective and political, and having a misleading appearance of objectivity, is the one the activists use in their advocacy arguments. In the hands of the activists, the "expert" basic needs budgets have been ratcheted up to two or three times the official poverty line. By contrast, even the most liberal members of the NAS Panel apparently were unwilling to recommend an increase in the poverty line by more than 33 percent.⁷⁹ It is also important to bear in mind that the NAS Panel's recommended range was predicated on an expanded definition of family resources that included government in-kind transfers and tax subsidies.

The activists manipulate the budgets in a variety of ways to make it appear that every family in the lower one-third to one-half of the income distribution needs government assistance. We show below how the assumptions in several representative studies skew the budgets.

1. *Hardships in America* (*Economic Policy Institute*)

In *Hardships in America*, the Economic Policy Institute tries to make the case that the government's official poverty numbers widely miss the mark. In EcPI's view there are millions of working families not counted in the official poverty statistics that need unions, higher minimum wages, living wage ordinances and other government interventions "to make ends meet." The report is based on over 400 basic needs budgets for families with children developed for major metropolitan areas and balance-of-state regions on a state-by-state basis. The numbers are designed to shock and create political support for EcPI's liberal, pro-union policy agenda. According to the report, in 1999, annual basic needs budgets for a family with two adults and two children range from \$27,005 to \$52,114, or from 60 to 208 percent greater than the government's poverty threshold of \$16,895. The median budget is \$33,511, or 98 percent higher than the government poverty line.⁸⁰

There are several reasons why the *Hardships in America* budget figures are so high. First, unlike the NAS Panel's recommendations, the Economic Policy Institute estimates costs for a much wider set of goods and services than the Panel recommended. The Panel's recommendations were to price out food, clothing and shelter (including utilities) based on a percentage (78-83) of the median of actual spending on these items and then augment the estimate by 15 to 25 percent to account for other necessary budget items.⁸¹ *Hardships in America* based its budget on subjective standards of what families needed to get by. Finally, where actual spending was used as a benchmark, it was at a higher percentile of spending than the NAS panel recommended.

For example, *Hardships in America*'s housing budget was based on HUD FMRs (40th percentile of rent distribution).⁸² It rejected 40 percent of the decent, safe and sanitary two-bedroom housing as "beneath" the standards for working families on no basis other than their low rents. Why shouldn't families who are having trouble making ends meet avail themselves of decent, safe and sanitary low-rent apartments? Two-bedroom apartments were used to budget housing expenses for families with one to two children. This assumed that a family with one adult and one infant could not live in a one-bedroom or efficiency apartment. By contrast the NAS Panel recommended a lower threshold and eschewed any judgment about apartment size.

Hardships in America's food budgets were based on the Department of Agriculture's (DOA's) Low-Cost Food Plan, rather than the Thrifty Food Plan that is the basis of the official poverty thresholds, and which was deemed reasonable by the NAS Panel.⁸³ Other budget studies such as Weinberg and Lamas (1993) and Schwartz and Volgy (1992) also used the DOA Thrifty Plan.⁸⁴ Also, although Renwick and Bergmann (1993) used the Low-Cost Food Plan, they used much lower percentiles for housing cost (25th percentile) than EcPI does.⁸⁵

Two major cost items in *Hardships in America*'s budget are child care and medical expenses. The NAS Panel recommended that *actual* spending on child care and medical care be subtracted from the resources available to the family.⁸⁶ However, the Economic Policy Institute has not based its child care and health care budgets on actual expenditures. Instead, it based its child care budgets on high priced commercial day care centers that very few low-income families actually use.⁸⁷ For health care, *Hardships in America* has assumed that families pay average premiums in a mix of employer-provided and individually purchased policies and has ignored the public subsidies in Medicaid and the State Children's Health Insurance Program (S-CHIP), programs that reduce out-of-pocket costs for many low-income families.⁸⁸ The NAS Panel estimated that spending on employment-related costs (such as child care) and medical care was about 16 percent of family after-tax income.⁸⁹ However, in EcPI's family budgets, spending on child care and medical care was much higher, ranging across representative areas from 37 to 41 percent, or about two and a half times the NAS Panel's estimates.⁹⁰ The budget amounts for the remaining budget items also exceed the reasonable ranges established by the NAS Panel.

2. *Raise the Floor* (Sklar et al.)

Many of the problems with the budget numbers in *Hardships in America* are also present in *Raise the Floor*. For example, the food budgets are based on the DOA Low-Cost Food Plan rather than the Thrifty Food Plan.⁹¹ Housing costs are based on HUD FMRs (40th percentile) for two-bedroom apartments for families with children and one-bedroom apartments for single persons.⁹²

The assumption that all low-income singles should be living by themselves in one-bedroom apartments ignores the obvious reality that many single people live with roommates, in group houses or rent efficiency apartments. In fact,

single adults can find “decent, safe and sanitary” housing in communities across the country for less than 30 percent of the income provided by a full-time minimum wage job.⁹³ This faulty assumption that single adults must live in one-bedroom apartments has led Sklar and her co-authors to argue for an \$8.00 national minimum wage. Aside from the economic harm and job displacement that such a high minimum wage would cause, their proposal is also based on an over-estimate of housing costs necessary to meet basic needs for even single adults.

Raise the Floor bases its budget on paid rather than relative-provided child care and like *Hardships in America* uses high-cost paid child care arrangements for all working families.⁹⁴ Its health care expenses are based on survey-based out-of-pocket costs for households earning between \$30,000 and \$39,999 plus average premiums in a mix of employer-provided and individually purchased policies.⁹⁵ They ignore Medicaid and S-CHIP, and also make no allowance for the fact that low-income families may choose to purchase less expensive policies.⁹⁶ In *Raise the Floor*’s national basic needs budget for a family with two adults and two children, child care plus medical care expenses are 25 percent of after-tax income if the employer pays for health insurance, and 34 percent if the employer does not pay for health insurance.⁹⁷ This compares with the 16 percent deemed reasonable by the NAS Panel.⁹⁸ Other types of spending also exceed the range deemed reasonable by the NAS Panel.

3. Self-Sufficiency Standards (Wider Opportunities for Women)

The Pearce Self-Sufficiency Standards use assumptions that parallel those in *Hardships in America* and *Raise the Floor*. Developed at least in part to assess the earnings success of women leaving welfare, the name Self-Sufficiency Standard is a bit misleading. Although it purports to be the amount a family would need to

be self-sufficient without government assistance of any kind, the standard, as calculated, includes the effects of tax subsidies, but not in-kind government benefits, in raising after-tax income. Like the basic needs budgets in *Hardships in America* and *Raise the Floor*, Pearce’s Standard is based on the expert budget methodology rejected by the NAS Panel.

Like *Hardships in America* and *Raise the Floor*, the Self-Sufficiency Standard assumes that food costs are based on the DOA Low-Cost Plan.⁹⁹ Its housing costs are based on the HUD FMRs (40th percentile) adjusted for intra-area variation using supplemental survey data. The Standard assumes that all single persons live in one-bedroom apartments.¹⁰⁰ Like the same assumption in *Raise the Floor*, this over-estimates the housing needs for many persons. The Standard’s child care budget amounts, however, are even more extravagant because they are based on spending at the 75th percentile on commercial child care.¹⁰¹ For health care, the Standard assumes that employers pay a third of the premium and that all employees are covered by some form of insurance.¹⁰² However, it ignores Medicaid and S-CHIP. Based on the Self-Sufficiency Standard for a Washington, D.C., two-adult/two-child family in 1998, child care and medical care spending constituted over 45 percent of after-tax income, compared with the 16 percent deemed reasonable by the NAS Panel.¹⁰³

V. Conclusion

The social activists often deride the official government poverty measures as inaccurate and cite as evidence the report of the NAS Panel. However, it is clear that their own estimates of the number of families with economic hardship are based on a methodology that the NAS Panel considered and rejected as too subjective and error prone. When compared with the NAS Panel’s own judgments, which are admittedly non-scientific, the activists’ judgments about who should be considered

poor in America appear as wildly extravagant. There are a number of reasons for this.

First, the activist studies, typified by *Hardships in America*, *Raise the Floor* and Diana Pearce's Self-Sufficiency Standard, all use an expert budget methodology that the NAS Panel found to be excessively subjective and in practice prone to overestimating the poverty population. Second, for specific budget categories the activists use the DOA Low-Cost Plan for food costs and use HUD FMRs for housing costs. Both of these standards represent spending by American households at above the 30th to 35th percentile that the NAS Panel thought appropriate for poverty measurement. Third, the activists make their own assumptions about what families should be able to afford, rather than relying on the actual spending patterns by

American families that the NAS Panel endorsed using in poverty measurement.

The activists' estimates of poverty or families in economic hardship should be rejected as transparent attempts to influence the political debate in favor of more government regulation and spending in favor of families above the poverty line. They are attempting to use the poverty measurement issue to build support for government mandates for higher wages and other social programs. They seek through government tax and regulatory policies to redistribute income not to the poor but to anyone who is below an arbitrary and constantly increasing standard. A wiser choice for our resources would be to focus them on building an effective safety net for those at the bottom who are truly in need.

Endnotes

1. Poverty thresholds are typically used to measure poverty, whereas poverty guidelines are used to administer government programs. The two are very similar, but differ slightly according to family size and the ratio of parents to children.
2. Several groups are now attempting to dramatically change the way the public and legislators view poverty. In the early 1990s, a number of academics conducted basic needs budget studies that argued for a new poverty standard. These included Patricia Ruggles, *Drawing the Line—Alternative Poverty Measures and Their Implications for Public Policy* (Washington, D.C.: The Urban Institute Press, 1990); Daniel H. Weinberg and Enrique J. Lamas, *Some Experimental Results on Alternative Poverty Measures* (Alexandria, VA: American Statistical Association, 1993), 549-555 (versions A and B); Trudi J. Renwick and Barbara R. Bergmann, “A Budget Based Definition of Poverty with an Application to Single-Parent Families,” *Journal of Human Resources* 28(1) (1993) 1-24; and John E. Schwartz and Thomas J. Volgy, *The Forgotten Americans* (New York: W.W. Norton and Company, 1992). Beginning in 1994 (See Diana Pearce, “Women and Welfare Reform—Women’s Poverty, Women’s Opportunities, and Women’s Welfare [Part 14 of 17],” ed. Gwendolyn Mink, *Contemporary Women’s Issues* (1994) 96-103), Dr. Diana Pearce, then with Wider Opportunities for Women, began promoting her Self-Sufficiency Standard. The Standard was supposed to represent what a person needed to earn to become independent of welfare, whether it be TANF, food stamps, Medicaid, housing subsidies, child care or any other subsidies. The standard took account of geographic differences and accounted for the number of children, their age and other issues. These studies are based on subjective methods and imply that approximately one-third of the country cannot meet their needs by these standards. In recent years, the Self-Sufficiency Standard has arisen as a political and public opinion tool that union organizers and advocates of higher minimum and “living” wages have used to advance their agenda. Other groups are now mimicking Dr. Pearce’s methods, under different names that now imply a minimum acceptable standard of living. These measures, such as the Economic Policy Institute’s “basic family budget” and the “minimum needs budget” by Holly Sklar and the Ms. Foundation for Women, are based on nearly identical methods as the prior academic basic needs budget studies and Dr. Pearce’s original research on self-sufficiency.
3. Emily Weinstein, “Economy-U.S.: Poverty Wider Than Census Figures Suggest,” *Inter Press Service*, 9 October 2001.
4. Barbara Ehrenreich, “America’s Working Poor Need a Raise,” *Newsday*, 6 August 2001, A19.
5. Barbara Ehrenreich, “Prepared Testimony of Barbara Ehrenreich Before the Senate Health, Education, Labor and Pensions Committee,” *Federal News Service*, 14 February 2002.
6. Linda Blackford, “Working Poor Need \$10 an Hour, New Calculations Show,” *Lexington Herald Leader*, 29 November 2001, B1.
7. Robert Knox, “Cost of Living for Area Families Gets Closer Look, Group Offers New Reckoning of Minimum Cost of Living,” *Boston Globe*, 3 January 2002, sec. Globe South, 1.
8. Employment Policies Institute, *Who Would Benefit from a \$6.65 Minimum Wage?* (Washington, D.C.: Employment Policies Institute, 2001), 3.
9. Heather Boushey et al. *Hardships in America: The Real Story of Working Families* (Washington, D.C.: Economic Policy Institute, 2001), 1.
10. Programs created, altered and expanded in the past decade include but are not limited to general welfare benefits (Aid to Families with Dependent Children (AFDC) and Temporary Assistance for Needy Families (TANF)), Medicaid, food stamps, housing subsidies, child tax credits, the Earned Income Tax Credit and child care tax credits.
11. See John A. Formby, John P. Bishop and Hoseong Kim, *The Economic Well-Being of Low-Income Working Families* (Washington, D.C.: Employment Policies Institute, January 2002), 54.
12. See U.S. Bureau of the Census, *Table 17. Work Experience of Family Members, by Poverty Status of Families: 2000*, prepared by Housing and Household Economics Statistics Information Staff (Washington, D.C.: U.S. Bureau of the Census, 2001); available from http://ferret.bls.census.gov/macro/032001/pov/new17_001.htm; accessed February 12, 2002.
13. Boushey et al., *Hardships in America*, 1.
14. Ibid. The official poverty threshold for a two-adult/two-child family in 1999 was \$16,895, not \$17,463, as stated in *Hardships in America*. The 2000 threshold is \$17,463. See U.S. Bureau of the Census, *Poverty Thresholds in 1999, by Size of Family and Number of Related Children Under 18 Years*, October 2001; available from <http://www.census.gov/hhes/poverty/threshld/thresh99.html>; accessed 12 February 2002; and *Poverty Thresholds in 2000, by Size of Family and Number of Related Children Under 18 Years*, September 2001; available from <http://www.census.gov/hhes/poverty/>

- threshld/thresh00.html; accessed 12 February 2002.
15. See Holly Sklar, Laryssa Mykyta and Susan Wefald, *Raise the Floor* (New York: Ms. Foundation for Women, 2001), 46.
 16. See Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for the Washington, D.C. Metropolitan Area* (Washington, D.C.: Wider Opportunities for Women, 1999), 8.
 17. See U.S. Bureau of the Census, *Poverty Thresholds in 1998, by Size of Family and Number of Related Children Under 18 Years*, December 2000; available from <http://www.census.gov/hhes/poverty/threshld/thresh98.html>; accessed 12 February 2002.
 18. See Phyllis B. Will, *Poverty: That Intangible Which Evades Definition or Measurement* (Ottawa, CN: Statistics Canada, 1986), working paper; as quoted in Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach* (Washington, D.C.: National Academy Press, 1995), p. 31, note 7, and p. 126.
 19. Citro and Michael, *Measuring Poverty*, pp. 31, note 7, and p. 126.
 20. Although the United States did not formally measure poverty during the Great Depression, it did measure correlates of poverty, such as unemployment and employment. See U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1957* (Washington, D.C.: Government Printing Office, 1961), 73. In 1933, the unemployment rate reached 24.9 percent for the civilian labor force. By comparison, it was 5.6 percent in 1964, when we began our “war on poverty.”
 21. There are several good summaries of the history of poverty measurement in the United States. For example, see Gordon M. Fisher, “The Development and History of the Poverty Thresholds,” *Social Security Bulletin*, Vol. 55(4) (1992), 3-14; Citro and Michael, *Measuring Poverty*, 24-25; Gordon M. Fisher, *An Overview of Developments Since 1995 Relating to a Possible New U.S. Poverty Measure*, U.S. Census Bureau Poverty Measurement Working Paper (October 1998, revised May 1999).
 22. Fisher, “The Development and History.”
 23. Ibid. Mollie Orshansky developed her poverty thresholds during 1963-1964, and the Johnson Administration announced its “War on Poverty” in January 1964.
 24. Ibid.
 25. Ibid.
 26. Ibid.
 27. Ibid.
 28. Ibid. See Table 2 in Fisher, “The Development and History,” for revised poverty thresholds that differ slightly from Orshansky’s original number. The number used for the base year of 1963 is \$3,128.
 29. Ibid.
 30. Ibid.
 31. Ibid.
 32. Ibid. Orshansky apparently was aware of this inconsistency, but thought that taxes and benefits would roughly net out, or that the poor would pay more in taxes than they received in benefits, resulting in “a conservative underestimate” of poverty. At the time, there was no better alternative.
 33. Citro and Michael, *Measuring Poverty*, 28-29. As the NAS Panel noted, there is evidence that there are significant differences in the cost of living across geographic areas of this country.
 34. Fisher, “The Development and History.”
 35. Ibid. These included differences in opinion between Orshansky herself and the CEA, and SSA concerns about how to adjust the thresholds for growth in real (i.e., constant dollar) incomes, whether to use a revised Economy Food Plan, whether to omit medical costs from inflation-indexing the thresholds, and whether to re-estimate the poverty multiplier using more recent data on food consumption patterns.
 36. Ibid. On April 26, 1968, SSA convened an inter-agency advisory group from federal agencies with an interest in poverty measurement. The group approved an SSA proposal to revise the poverty thresholds. According to Gordon Fisher, both the OEO and the CEA then repudiated the pro-revision positions taken by their representatives on the SSA Advisory Group, and opposed any change to the thresholds. The Bureau of the Budget directed Census to make no change in the thresholds for income year 1967, and stated its intention to appoint a task force to develop concepts and technical information required to re-evaluate the thresholds in the future. The inter-agency task force was selected in September 1968. After its review and deliberations, the task force agreed to use the Consumer Price Index to adjust the thresholds for inflation and to raise the level of farm poverty thresholds. On August 29, 1969, the Bureau of the Budget directed all federal Executive Branch agencies to use the revised poverty statistics and thresholds as issued by the Census Bureau for statistical purposes. The Orshansky thresholds (as revised) thus became the government’s official statistical poverty thresholds.
 37. Ibid.
 38. Citro and Michael, *Measuring Poverty*, 18.
 39. The Panel’s report was voluminous, consisting of eight substantive chapters running to 381 pages plus four technical appendices.

40. Citro and Michael, *Measuring Poverty*, 37.
41. *Ibid.*, 23.
42. *Ibid.*, 384-386.
43. *Ibid.*, 3.
44. *Ibid.*, 97.
45. U.S. Bureau of the Census, Current Population Survey, *Table RDP-5. Historical Poverty Tables—Poverty by Definition of Income*; prepared by Poverty and Health Statistics Branch of HHES Division; available from <http://www.census.gov/hhes/poverty/histpov/rdp05.html>; accessed February 12, 2002.
46. *Ibid.*
47. Citro and Michael, *Measuring Poverty*, 31-32.
48. *Ibid.*, 53-56. The Panel also recommended expanding the basic needs concept, currently based on the Economy Food Plan, to one based on food, clothing and shelter costs.
49. *Ibid.* The Panel rejected a formula-based relative threshold, such as one-half the median after-tax income or consumption expenditures, on the ground that such a measure was too arbitrary and not related precisely enough to economic deprivation. However, it also rejected an absolute definition for the threshold on the ground that there was no consensus expert judgment as to what income level constituted economic deprivation and that in practice all expert-based poverty standards utilized information on actual consumption expenditures. Instead, the Panel recommended a threshold range for a reference family of four that was 14 to 33 percent higher than the (1992) threshold. The lower end of the range corresponded to 115 percent of the spending on food, clothing and shelter by two-adult/two-child families at the 30th percentile of such expenditures. The higher end corresponded to 125 percent of spending by the same reference type families on the same items at the 35th percentile of such expenditures. The Panel recommended that this threshold increase with the real level of spending on food, shelter and clothing at the selected percentile level.
50. *Ibid.*, 385-390.
51. *Ibid.*, 23, 57 and 106.
52. *Ibid.*, 74-77.
53. *Ibid.*, 57.
54. See the following Census reports available from the U.S. Government Printing Office and the Census web site: www.census.gov: Kathleen Short et al., *Experimental Poverty Measures: 1990 to 1997* (Washington, D.C.: U.S. Census Bureau, 1999); Kathleen Short, John Iceland and Thesia I. Garner, *Experimental Poverty Measures: 1998* (Washington, D.C.: U.S. Census Bureau, 1999); Kathleen Short, *Experimental Poverty Measures: 1999* (Washington, D.C.: U.S. Census Bureau, 2001); Kathleen Short, *Examining Experimental Poverty Measures: 1990 to 1997* (Washington, D.C.: U.S. Census Bureau, 1999); and Joseph Dalaker, *Poverty in the United States: 2000* (Washington D.C., U.S. Census Bureau, 2001).
55. Short, *Experimental Poverty Measures: 1999*, 24 and 27. Authors' calculations based on data from Table 5-1. Official Poverty Measure, and Table 5-8. NAS/U Measure.
56. *Ibid.*
57. Boushey et al., *Hardships in America*, 12. Table 2 reports 14.1 million persons in working families with children below basic needs budgets and 4.9 million working families with children below the poverty line based on data for 1997-1999.
58. Short, *Experimental Poverty Measures: 1999*, 24 and 27. Authors' calculations based on data from Table 5-1. Official Poverty Measure, and Table 5-8. NAS/U Measure.
59. *Ibid.*
60. Boushey et al., *Hardships in America*, 12 (Table 2) and 13 (Table 3). The 118 percent is based on the data for family poverty rates in Table 3. This is not strictly comparable to the data on individual poverty rates used in the other comparisons. However, the data in Table 2 suggest that the budget studies produce poverty estimates that exceed official poverty estimates by about the same percentage amount for families and individuals.
61. Citro and Michael, *Measuring Poverty*, 49.
62. *Ibid.*, 106-108 and Table 1-4, 54.
63. *Ibid.*
64. *Ibid.*, 107.
65. *Ibid.*, 122-123.
66. *Ibid.*, 108.
67. *Ibid.*, 54, 142. The studies reviewed are summarized in the Panel's report. See Tables 1-4 (page 54) and 2-5 (page 142), the expert budget thresholds were found in papers by Orshansky, Ruggles, Renwick and Bergmann, Schwartz and Volgy, and two versions were by Weinberg and Lamas.
68. *Ibid.*
69. *Ibid.* The Panel's range of reasonable values for the thresholds excluded the expert budget studies by Orshansky (1963 and 1965a), Ruggles (1990), Weinberg and Lamas (1993 versions A and B), and Renwick and Bergmann (1993); and the relative thresholds developed by the Expert Committee on Family Budget Revisions.
70. *Ibid.* The Renwick and Bergmann (1993) threshold was rejected because it was too low, the other four budget-based thresholds because they were too high. The Renwick and Bergmann budget assumed that

- every family spends the maximum allowance for such items as work expenses. When the Panel converted the threshold to its recommended budget concept that subtracted work expenses from resources, the Renwick/Bergmann threshold fell by \$4,500 (26 percent). The converted threshold was lower than the lower bound (\$13,700) of the Panel's recommended range.
71. *Ibid.*, 46. HUD subtracts 30 percent of income from the lesser of a family's rent or the area's FMR to calculate subsidy levels for housing. The FMRs essentially serve as a cap to the Section 8 program that allows for both a good variety of housing, while not subsidizing high-rent housing.
 72. *Ibid.* The Panel recommended a quasi-relative threshold, which was defined at a specified constant percentage of median spending (on food, clothing and shelter) plus a multiplier. While the poverty rate under such a measure would remain constant if the spending of families at all income levels rose proportionately, the poverty rate would decline if the spending of the poor rose relative to the median spending of the population.
 73. *Ibid.*, 51-52.
 74. Boushey et al., *Hardships in America*, 6.
 75. Sklar, Mykyta and Wefald, *Raise the Floor*, 30.
 76. Citro and Michael, *Measuring Poverty*, 31-36.
 77. *Ibid.*, 54 (Table 1-4). Of the budget studies, only the Schwartz and Volgy (1992) study produced a poverty threshold that the Panel deemed to be reasonable, and that (\$15,600 for 1992) barely survived the Panel's cutoff level of \$15,900.
 78. *Ibid.*, 120-123.
 79. *Ibid.*, 56.
 80. Boushey et al., *Hardships in America*, 1.
 81. Citro and Michael, *Measuring Poverty*, 6, 51 and 57.
 82. *Supra* note 71. U.S. Department of Housing and Urban Development, "Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program—Fiscal Year 2002; Final Rule," *Federal Register*, Vol. 66(190), October 2001.
 83. Citro and Michael, *Measuring Poverty*, 56 and 111; and Boushey et al., *Hardships in America*, 52. In 1975 the lowest cost food plan was renamed and revised from the Economy Food Plan to the Thrifty Food Plan. The Thrifty Food Plan was further revised in 1983 to reflect changes in buying patterns and the mix of foodstuffs. The NAS Panel found spending at the 30th percentile on food, clothing and shelter to be consistent with the Thrifty Food Plan.
 84. *Ibid.*, 114 (Weinberg and Lamas) and 122 (Schwartz and Volgy).
 85. Citro and Michael, *Measuring Poverty*, 117; and Boushey et al., *Hardships in America*, 52.
 86. Citro and Michael, *Measuring Poverty*, 66.
 87. Boushey et al., *Hardships in America*, 52. For example, EcPI assumes that all working families pay for child care by non-relatives, and at the average cost of commercial day care centers. Its child care costs for a working family with two children range from \$498 to \$1,066 per month. However, actual spending by Americans on child care is much lower. See Linda Giannarelli and James Barsimantov, *Child Care Expenses of America's Families* (Washington, D.C.: Urban Institute, December 2000), 25. Only 48 percent of working families with children under 13 paid for child care in 1997, and those with two or more children that did, paid an average of \$321 per month.
 88. Boushey et al., *Hardships in America*, 53-54.
 89. Citro and Michael, *Measuring Poverty*, 154.
 90. Boushey et al., *Hardships in America*, 10 (Table 1).
 91. Sklar, Mykyta and Wefald, *Raise the Floor*, 190.
 92. *Ibid.*, 189.
 93. *Supra* note 71. U.S. Department of Housing and Urban Development, *Fair Market Rents*. Thirty percent of earnings from a full-time minimum wage job is approximately \$268 monthly. In all but a few counties in 12 states, FMRs in rural area efficiency apartments fall below 30 percent of all full-time minimum wage income. These FMR's are determined as a percentage of the 40th percentile of housing for a two-bedroom home.
 94. Sklar, Mykyta and Wefald, *Raise the Floor*, 190-192.
 95. *Ibid.*, 189-190.
 96. *Ibid.*
 97. *Ibid.*, 205 (Tables C-13 and C-14).
 98. Citro and Michael, *Measuring Poverty*, 154.
 99. See Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for the Washington, D.C. Metropolitan Area* (Washington, D.C.: Wider Opportunities for Women, Fall 1999), 5-6.
 100. *Ibid.*, 5.
 101. *Ibid.*
 102. *Ibid.*, 6.
 103. *Ibid.*, 44 (Table 1). The Self-Sufficiency Standard medical and child care expenses exceed 45 percent of the family budget except when one or both of the two children are teenagers. See also Citro and Michael, *Measuring Poverty*, 154.

References

- Blackford, Linda B. "Working Poor Need \$10 an Hour, New Calculations Show." *Lexington Herald Leader*. 29 November 2001. Pg. B1.
- Boushey, Heather et. al. "Hardships in America: The Real Story of Working Families." Washington, D.C.: Economic Policy Institute. 2001.
- Citro, Constance F. and Robert T. Michael, eds. "Measuring Poverty: A New Approach." Washington, D.C.: National Academy Press. 1995.
- Dalaker, Joseph. "Poverty in the United States: 2000." *United States Census Bureau, Current Population Reports, Series P60-214*. Washington, D.C.: U.S. Census Bureau, 2001.
- Ehrenreich, Barbara. "America's Working Poor Need a Raise." *Newsday*. New York, NY. 6 August 2001. Pg. A19.
- _____. "Prepared Testimony of Barbara Ehrenreich Before the Senate Health, Education, Labor and Pensions Committee." *Federal News Service*. 14 February 2002.
- Employment Policies Institute. "Who Would Benefit from a \$6.65 Minimum Wage? A State-by-State Profile: 2001 Edition." Washington, D.C.: Employment Policies Institute. 2001.
- Expert Committee on Family Budget Revisions (Watts Committee). *New American Family Budget Standards*. Madison: Institute for Research on Poverty, University of Wisconsin; New York: Center for the Social Sciences, Columbia University. 1980.
- Fisher, Gordon M. "The Development and History of the Poverty Thresholds." *Social Security Bulletin*. Vol. 55(4): 3-14. 1992.
- _____. "An Overview of Developments Since 1995 Relating to a Possible New U.S. Poverty Measure." U.S. Census Bureau Poverty Measurement Working Paper. October 1998, Revised May 1999.
- Formby, John A., John P. Bishop and Hoseong Kim. "The Economic Well-Being of Low-Income Working Families." Washington, D.C.: Employment Policies Institute. January 2002.
- Giannarelli, Linda and James Barsimantov. "Child Care Expenses of America's Families." Washington, D.C.: Urban Institute. Occasional Paper Number 40. December 2000.
- Iceland, John. "Poverty Among Working Families: Findings From Experimental Poverty Measures." Washington, D.C.: U.S. Census Bureau. September 2000.
- Knox, Robert. "Cost of Living for Area Families Gets Closer Look, Group Offers New Reckoning of Minimum Cost of Living." *Boston Globe*. 3 January 2002. Globe South; Pg. 1.
- Orshansky, Mollie. "Children of the poor." *Social Security Bulletin*. 26(7)(July): 3-13. 1963.
- _____. "1965a Counting the poor: another look at the poverty profile." *Social Security Bulletin*. 28(1)(January): 3-29. 1965a.
- _____. "Who's who among the poor: a demographic view of poverty." *Social Security Bulletin*. 28(7)(July): 3-32. 1965b.
- Pearce, Diana. "Women and Welfare Reform—Women's Poverty, Women's Opportunities, and Women's Welfare [Part 14 of 17]." *Contemporary Women's Issues*, ed. Mink, Gwendolyn, 96-103. Washington, D.C.: Institute for Women's Policy Research. 1994.
- Pearce, Diana and Jennifer Brooks. "The Self-Sufficiency Standard for the Washington, DC Metropolitan Area." Washington, D.C.: Wider Opportunities for Women. 1999.
- Renwick, Trudi J. and Barbara R. Bergmann. "A Budget Based Definition of Poverty with an Application to Single-Parent Families." *Journal of Human Resources* 28(1): 1-24. 1993.
- Ruggles, Patricia. "Drawing the Line—Alternative Poverty Measures and Their Implications for Public Policy." Washington, D.C.: The Urban Institute Press. 1990.
- Schwartz, John E. and Thomas J. Volgy. *The Forgotten Americans*. New York: W.W. Norton & Company. 1992
- Short, Kathleen. "Examining Experimental Poverty Measures: 1990 to 1997." Washington, D.C.: U.S. Census Bureau. 1999.

- _____. "Experimental Poverty Measures: 1999." *U.S. Census Bureau, Current Population Reports, P60-216*. Washington, D.C.: U.S. Census Bureau. 2001.
- Short, Kathleen, et. al. "Experimental Poverty Measures: 1990 to 1997." *U.S. Census Bureau, Current Population Reports, Consumer Income, P60-205*. Washington, D.C.: U.S. Census Bureau. 1999.
- Short, Kathleen, John Iceland and Thesia I. Garner. "Experimental Poverty Measures: 1998." Washington, D.C.: U.S. Census Bureau. 1999.
- Sklar, Holly, Laryssa Mykyta and Susan Wefald. "Raise the Floor: Wages and Policies that Work for All of Us." New York, NY: Ms. Foundation for Women. 2001.
- U.S. Bureau of the Census. "Historical Statistics of the United States, Colonial Times to 1957." Washington D.C.: Government Printing Office. 1961.
- U.S. Bureau of the Census, Current Population Survey. "Table RDP-5. Historical Poverty Tables—Poverty by Definition of Income." Available from <http://www.census.gov/hhes/poverty/histpov/rdp05.html>. Accessed February 12, 2002. Prepared by Poverty and Health Statistics Branch of HHES Division.
- _____. "Poverty Thresholds in 1998, by Size of Family and Number of Related Children Under 18 Years." Available from <http://www.census.gov/hhes/poverty/threshld/thresh98.html>. Accessed February 12, 2002. December 2000.
- _____. "Table 17. Work Experience of Family Members, by Poverty Status of Families: 2000." Available from http://ferret.bls.census.gov/macro/032001/pov/new17_001.htm. Accessed February 12, 2002. Prepared by Housing and Household Economics Statistics Information Staff. March 2001.
- _____. "Poverty Thresholds in 2000, by Size of Family and Number of Related Children Under 18 Years." Available from <http://www.census.gov/hhes/poverty/threshld/thresh00.html>. Accessed February 12, 2002. September 2001.
- _____. "Poverty Thresholds in 1999, by Size of Family and Number of Related Children Under 18 Years." Available from <http://www.census.gov/hhes/poverty/threshld/thresh99.html>. Accessed February 12, 2002. October 2001.
- U.S. Department of Housing and Urban Development. "Public Housing Occupancy Handbook." Washington, D.C.: Office of Public and Indian Housing. Available from <http://www.hudclips.org>. Accessed February 12, 2002. August 1987.
- _____. "Fair Market Rents for the Section 8 Housing Assistance Payments Program." Washington, D.C.: U.S. Department of Housing and Urban Development, Office of Policy Development and Research. October 1995.
- _____. "Fair Market Rents for the Housing Choice Voucher Program and Moderate Rehabilitation Single Room Occupancy Program—Fiscal Year 2002; Final Rule." *Federal Register*. Vol. 66(190). October 2001.
- Vaughan, Denton R. "Exploring the use of the Public's Views to Set Income Poverty Thresholds and Adjust Them Over Time." *Social Security Bulletin* 56(2)(Summer): 22-46. 1993.
- Weinberg, Daniel H. and Enrique J. Lamas. "The history and current issues of U.S. poverty measurement." Pp. 173-199 in *Poverty Measurement for Economies in Transition in Eastern European Countries*. Warsaw: Polish Statistical Association and Polish Central Statistical Office. 1992.
- Weinberg, Daniel H. and Enrique J. Lamas. "Some Experimental Results on Alternative Poverty Measures." Pp. 549-555 in *Proceedings of the Social Statistics Section*. Alexandria, VA: American Statistical Association. 1993.
- Weinstein, Emily. "Economy-U.S.: Poverty Wider Than Census Figures Suggest." *Inter Press Service*. 9 October 2001.
- Will, Phyllis. B. "Poverty: That Intangible Which Evades Definition or Measurement." Working Paper, Statistics Canada, Ottawa. 1986.