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Measuring Poverty: Advances to the Supplemental Poverty Measure

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Abstract: Measuring poverty is complex, requiring extensive research and a number of expert judgments on how to define resources and needs, as well as the data infrastructure necessary to operationalize measurement. In this paper, we briefly summarize the evolution of poverty measurement in the United States and discuss the recommended changes to the Supplemental Poverty Measure from a recently concluded National Academies panel. Emphasis is placed on the treatment of medical care, childcare, and housing, as well as the need to incorporate administrative data records with survey data.

Keywords: Principal Poverty Measure, medical care, childcare, housing, administrative data

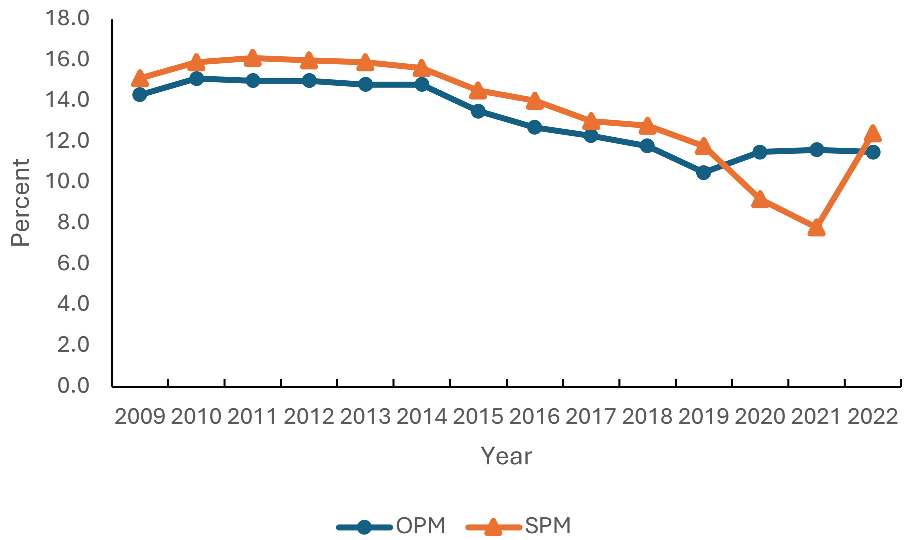
At the dawn of the *War on Poverty* 60 years ago one of the first tasks facing policymakers was defining poverty, and measuring its scale and composition. That task of counting the number of poor people fell to the Social Security Administration, and in particular to a statistician named Mollie Orshansky, who proposed a measure of poverty that compared a family's before-tax money income to a poverty line or basic-needs budget. In particular, her proposal defined the poverty line as three times the minimally necessary food budget (Orshansky 1963). By the end of the decade, a variant of the Orshansky measure was adopted as the nation's Official Poverty Measure (OPM), and subsequently has been used extensively by social scientists and policymakers to monitor the wellbeing of the poor and to evaluate the effectiveness of programs in alleviating poverty. Today this same OPM, updated only for inflation, is used not only for tracking the economic status of low-income families over time but also to determine in whole or in part funding amounts and/or eligibility for scores of transfer programs costing hundreds of billions of dollars annually.

The importance of poverty measurement has if anything increased since the 1960s given the changing composition of the social safety net and subsequent growth in inflation-adjusted spending. The OPM only considers cash, so it misses the explosion of spending on in-kind transfers such as health insurance from Medicaid and Medicare and food assistance from the Supplemental Nutrition Assistance Program (SNAP). Since it is calculated before taxes, it also misses the emergence of social assistance administered through the tax code via refundable credits such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). In addition, while the poverty line is adjusted annually for changes in the cost of living, the basis of the scale factor of three to inflate the food budget hinges on a 70-year old survey when Americans spent much more of their budget on food.

It was with these considerations in mind that in 2011 the U.S. Census Bureau began to produce and disseminate an alternative measure of poverty known as the Supplemental Poverty Measure (SPM). The SPM differs from the OPM in how both resources and basic needs are measured. These changes grew out of a report from a 1995 National Research Council panel (NRC 1995) that recommended expanding the definition of needs to include clothing, shelter, and utilities in addition to food, as well as adopting a new method for calculating the threshold as a function of the actual spending patterns in the past year.[1] On the resource side, the panel recommended using a post-tax-and-transfer measure of resources, as well as subtracting from resources certain out-of-pocket expenditures that were deemed non-discretionary, including spending on medical care and childcare. As depicted in Figure 1, in most years the poverty rate under the SPM has exceeded the OPM rate, with the notable exception of 2020 and 2021 when extraordinary outlays were made in response to the Covid-19 Pandemic. These outlays, many of which flowed through the U.S. Treasury via the tax system, were captured by the SPM but not the OPM. Not only does the rate change, but the composition of who is living in poverty changes as well (see Bahk, Moffitt, and Smeeding in this volume). This divergence underscores the importance of measurement for a proper understanding of the impact of government policy.

Figure 1. Percent of People in Poverty under the OPM and SPM: 2009 - 2022

[1] We use NRC to refer to the 1995 report, but more recent reports have been issued under the moniker of National Academies of Sciences (NAS) or National Academies of Sciences, Engineering, and Medicine (NASEM). Colloquially these are often referred to as the National Academies. We use the latter interchangeably throughout the text.



Source: Data from U.S. Census Bureau Table A-1 and Table B-3
Note: OPM refers to the Official Poverty Measure and SPM refers to the Supplemental Poverty Measure

In 2020 the Census Bureau, in collaboration with the Bureau of Labor Statistics, commissioned a new National Academies panel (NASEM 2023) to assess whether the current SPM could be improved to better monitor the economic need of lower-income people and to increase its value to policy making. The panel, of which we were members, focused its efforts on three major components of the SPM that have posed the greatest conceptual and measurement challenges—medical care, childcare, and housing—as well as the survey and administrative data infrastructure used to measure poverty. The panel offered a number of recommendations across those key domains, as well as how the measure can be made more valuable to policy making. The report included a recommendation to elevate the revised SPM as the nation's headline statistical measure of poverty and rebrand it as the Principal Poverty Measure (PPM).

The aim of this article is to summarize the key recommendations of the panel's report (NASEM 2023), and the important role that Rebecca (Becky) Blank played in the evolution of poverty measurement. Becky was a member of the earlier 1995 NRC panel and was Under

Secretary of Commerce when the SPM was launched. She also contributed extensively to research and evaluation of the safety net, but our focus here is restricted to measurement of poverty. Indeed, we dedicated the 2023 NASEM report to the memory of our friend and inspiration, Rebecca Blank.

The remainder of the paper is organized as follows. Section 2 provides a brief overview of poverty measurement in the United States as defined by the OPM and discusses the development of the SPM and the intellectual contributions of Becky Blank to its genesis. Section 3 summarizes key recommendations underlying the proposed PPM in the 2023 panel report, and this is followed in Section 4 with discussion of reactions to some of the panel's recommendations. Section 5 concludes with reflections on potential future modifications to the PPM.

OPM and the Development of the SPM

The definitive treatment of the development of the OPM is found in Fisher (1992, 1997); here we summarize some of the key features of the measure prior to discussing the SPM. An absolute threshold defines needs in terms of a fixed minimum standard of living, whereas a relative scale treats needs as a function of current patterns of income or consumption. Orshansky (1963) adopted an absolute threshold to define the basic needs budget for the OPM in lieu of a relative threshold. Using data from the Household Food Consumption Survey conducted by the U.S. Department of Agriculture in 1955, Orshansky estimated that the average family of three or more persons spent about one-third of their after-tax money income on food. She therefore multiplied the cost of the Department of Agriculture's economy and low-income food plans for families of different types by three in order to define the minimum income required to meet basic needs: that is, a set of poverty thresholds. Each year since 1969 the thresholds based on the more conservative economy food plan budgets have been updated for changes in inflation as measured by the Consumer Price Index for All Urban Consumers (specifically the CPI-U since 1980). The thresholds apply uniformly across the entire country, making no distinction for the wide geographic variation in the cost of living.

Economic resources in the OPM are defined as before-tax money income. This includes earnings, payments from benefit programs, and income from other sources such as investments.[2] This information is collected on an annual basis as part of the Annual Social and Economic Supplement (ASEC) to the monthly Current Population Survey (CPS). The universe for the OPM consists of families and unrelated individuals, where family means two or more persons residing together and related by marriage, birth, or adoption. The income of all family members is summed to yield total family income for the year, and related subfamilies are assigned the income of the primary family unit, meaning all members share the same poverty status.

In 1969, the Bureau of the Budget (now known as the Office of Management and Budget, or OMB) issued a budget circular (the precursor to Statistical Policy Directive 14) launching the measure developed by Orshansky as the OPM (Fisher 1992).[3] That directive was explicit in stating that the thresholds were to be used for statistical purposes only, and that they "were not developed for administrative use in any specific program and nothing in this Directive should be construed as requiring that they should be applied for such a purpose." (As quoted in NASEM

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[2] Specifically, the following sources of income are included: labor market earnings from an employer or self-employment, private pension income, payments from Social Security retirement, disability, and/or survivors benefits, disability income from Supplemental Security Income, Unemployment Insurance, workers' compensation, cash welfare from Temporary Assistance for Needy Families (TANF) and General Assistance, Veterans' Benefits, rental income, interest income, dividend income, royalties, and income from estates, trusts, educational assistance, alimony, child support, family and friends, and other income sources.

[3] See Fisher (1992) Bureau of the Budget Circular No. A-46, Transmittal Memorandum No. 9, August 29, 1969. Exhibit L was revised on June 17, 1970, revised and redesignated as Exhibit G on May 3, 1974, and transformed into Statistical Policy Directive No. 14 in May 1978. See US Census Bureau 2017 for Statistical Policy Directive 14.

2023 p. 27). However, many programs adopted a simplified version of the thresholds published annually by the U.S. Department of Health and Human Services, known as the poverty guidelines, to determine eligibility.[4] This includes programs such as Medicaid, Head Start, Medicare Part D prescription drug subsidies, SNAP, Low-Income Home Energy Assistance Program (LIHEAP), Job Corps, income-driven repayment plans for federal student loans, among many others.

Criticisms of the OPM

Although the OPM is widely used and recognized by the public, it suffers from numerous shortcomings that render it less effective as a metric of wellbeing (Ruggles 1990; NRC 1995; Blank 1997; Blank and Greenberg 2008; NAESM 2023). As noted above, the definition of income used in constructing the U.S. poverty rate excludes many income sources—both cash and in-kind—including the dollar value of SNAP and other food assistance, subsidized and public housing, Medicaid, Medicare, capital gains and losses, the imputed rental value of owner-occupied housing, and refundable tax credits.[5] To be sure, the relative importance of these sources of income has grown over time. Possible explanations for their exclusion include the fact that some programs did not exist (the EITC) or were in their infancy when the modern poverty rate was established in the 1960s (Medicaid, Medicare, food stamps, public housing), and other income sources were not collected in the CPS until a later date (e.g. capital gains and losses) or not at all (e.g. imputed rental income). It also omits deductions from spendable income such as tax payments and work-related expenses. Another concern is whose income is counted in determining poverty status. The OPM only counts resources of family members, and thus omits

[4] See a discussion of poverty thresholds and guidelines at https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/frequently-asked-questions-related-poverty-guidelines-poverty

[5] In the 1980s there were multiple conferences and reports examining the measure of income and measures of in-kind transfers; see Smeeding 1982 and US Census Bureau 1986.

resources contributed by cohabiting (unmarried) partners and other unrelated individuals residing in the household.

The OPM approach to defining poverty thresholds is also subject to criticism (NRC 1995; Ruggles 1990). For one thing, the OPM threshold is based on an absolute scale, which means that the standard of living for the poor in the US in 2024 is assumed to be the same, in inflation-adjusted terms, as it was 60 years ago. But a typical family today spends about one-eighth of their income on food, compared with one-third when the OPM threshold was developed.[6] Additional critiques of the OPM threshold include that it does not vary by location, despite ample evidence of geographic variation in prices, and that the OPM method for adjusting for the size and composition of a family (so called equivalence scales) sometimes yields unintuitive results such as the threshold for a two-parent two-child family being lower than a one-parent three-child family.

The 1995 NRC Panel

Concerns over the efficacy of the OPM grew over the 1970s and 80s such that in 1992 the U.S. Census Bureau contracted with the National Research Council to convene an expert panel to review the OPM and to recommend possible alternative approaches (NRC 1995). The work of the NRC panel came on the heels of a comprehensive assessment of the OPM by Ruggles (1990), and many of the NRC recommendations affecting both resources and thresholds adhered closely to those of Ruggles.[7] The NRC recommended that a new poverty threshold be calculated based on a market basket defined by expenditures on food, clothing, shelter, and utilities, plus an adjustment factor to account for needed spending on personal care, non-work

[6] A relative poverty threshold, like what is used in most OECD countries, would by design reflect this improvement in the overall standard of living. (Of course, a relative approach also as its drawbacks: in particular, the goal posts of eradicating poverty are always moving.)
[7] See also Becky Blank's testimony to the House Ways and Means committee in 1992.

transportation, and household supplies. In the benchmark year of 1992 they proposed that the threshold should start with some fraction of median spending on the market basket for the representative 4-person family and then apply a markup of 1.15 to 1.25.[8] This range made the threshold between 14 and 33 percent higher than the official threshold in 1992.[9]

The panel recommended that this threshold be updated annually to reflect changing consumption patterns, and thus moving away from an absolute poverty measure like the OPM to a relative measure. Further, to smooth out statistical noise, they suggested using a moving average of the three most recent years of inflation-adjusted consumption spending. Similar to Ruggles (1990), they also recommended that the threshold be adjusted for geographic differences in the cost of living, but only with respect to the housing component of the threshold because of lack of reliable granular data for other consumption components.[10]

On the resource side, the NRC panel recommended that the income measure must be consistent with the thresholds and include the resources necessary to purchase the market-basket bundle of food, clothing, shelter and utilities. Hence, the resource measure includes the current sources of income found in the OPM plus near-cash transfers such as SNAP and housing assistance less tax payments net of refundable credits, meaning that resources would be higher for those tax units whose refundable credits exceed federal and state tax payments. In addition, the panel recommended that out-of-pocket medical expenses, medical insurance premiums, childcare costs, child support payments, and work expenses be deducted. The rationale for subtracting out-of-pocket medical spending, rather than adding a need for health insurance

[8] See Short et al. 1999 for a description of the implementation of the NRC 1995 recommendations.
[9] Thresholds for families other than two-parent two-child units would be adjusted by a "two parameter" equivalence scale that they argued would better measure resource needs of family units and provide lower cost per adult equivalent as the number of adult equivalents increased.
[10] The benchmarking and annual updating was to be implemented with the Consumer Expenditure Survey. In addition, they suggested using data from the Decennial Census along with HUD's methodology for estimating rents for comparable apartments in different locales.

and/or medical care to the basic needs budget, was the complexity of defining such a need in light of the wide variation in health status across the population. As discussed below, the 2023 NASEM panel differs in its recommendation to add medical care need to the threshold.

Becky Blank and the Emergence of the SPM

Within a few years after the publication of 1995 panel's report the Census Bureau began publishing a series of experimental poverty estimates based on many of the ideas spelled out in the NRC recommendations.[11] However, it was not until over a decade later that the alternative measure took on increased prominence and importance. This development was due in part by the research and influence of Becky Blank. In her 2007 presidential address to the Association of Public Policy and Management, Blank (2008) made a forceful case in favor of a new poverty measure, which she called the "Revised Poverty Measure." In her address she argued that the Congress or Executive Branch should assign a statistical agency the authority to develop an alternative measure of income poverty that produces both a credible and coherent poverty threshold and a consistent and appropriate resource measure. Furthermore, Blank argued that this revised measure should be used for statistical purposes only, and thus public programs could continue to use the OMB-defined poverty rate or multiples of the poverty guidelines as an eligibility cutoff.[12]

A year after the address, Blank and Greenberg (2008) took an important step forward by proposing a specific NRC-type measure that included measuring needs from expenditure data with geographic adjustments, and accounting for medical and childcare in resources. They also

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[11] While at the Council of Economic Advisers (CEA), Becky Blank and Patricia Ruggles (then at the Joint Economic Committee (JEC)) tried to convince the administration to adopt the NRC poverty measure.
[12] Importantly, Blank (2008) also lamented the nation's lack of progress in offering alternative metrics of material deprivation beyond income poverty that were developed and published by other OECD. This state of affairs has not improved in the intervening years, with the important exception of the annual release of the USDA's measure of food insecurity.

argued that “the Census Bureau report the new poverty measure as its primary measure of poverty in its annual income and poverty report.” (Blank and Greenberg 2008, p. 26). Using data for the 2006 calendar year, they reported the NRC-type poverty rate of 13.6 percent compared to the 12.3 percent OPM rate, which is consistent with the typical experience comparing the SPM and OPM as in Figure 1.

Following the election of President Obama in 2008, Becky was confirmed by the U.S. Senate as Under Secretary of Economic Affairs in the Department of Commerce in May 2009. In this capacity she directed the creation of an Interagency Technical Working Group (ITWG), which provided a set of Observations (and convinced OMB to include funding in the federal budget) for the Census Bureau and Bureau of Labor Statistics to develop what came to be known as the Supplemental Poverty Measure with its first publication in 2011 (see ITWG 2010 and Short 2011).

As noted previously, the SPM defines the threshold based on the sum of spending on food, clothing, shelter, and utilities (FCSU) plus extra for personal-care necessities. While the details of the calculation of resources, thresholds, and sharing unit changed over the years, the basic structure has remained the same. Specifically, as of the 2021 SPM report, the threshold is set at 83 percent of the averages of the 47th–53rd percentile range of spending on food, clothing, shelter, utilities, telephone, and internet (FCSUti) among households with children, plus a 20 percent markup.[13] The SPM poverty thresholds also vary based on whether the family rents their home, owns it with a mortgage, or owns it without a mortgage, as well as by differences in housing costs based on residence in one of 342 metropolitan or nonmetropolitan areas. This results in over 46,000 unique thresholds, which are estimated using 60 quarters of data from the

[13] Instead of the 2-parameter scale adjusting for the number of adults and children proposed by the NRC, Census adopted a 3-parameter equivalence scale to adjust for units with different combinations of adults and children.

Consumer Expenditure Survey and converted to real terms using the CPI-U for the categories of spending in FCSUti.

SPM resources include those found in the OPM, namely cash income and transfers. In addition, the SPM includes near-cash transfer payments from food assistance (SNAP, school meals, Special Supplemental Nutrition Assistance Program for Women, Infants, and Children), subsidized housing, and home energy assistance. Non-discretionary payments for taxes and child support are subtracted from resources, as are work-related expenses such as childcare. Notably, tax payments may be negative due to refundable credits from the EITC and CTC, and thus may result in net additions to resources. Following the recommendations in NRC (1995), the SPM subtracts out-of-pocket spending on medical care and health insurance from resources as these payments limit the ability of households to meet FCSUti needs. The SPM resource sharing unit expands upon the OPM family unit to include cohabiting partners and their children, as well as foster children. These changes represent a major improvement; but the SPM still falls short of counting all resources available in the household.

Recommendations of the 2023 NASEM Panel

The SPM is a marked improvement over the OPM in accurately tracking the wellbeing of low-income households and the effects of government policies on those households. The 2023 NASEM panel was tasked with assessing whether the SPM could be made even more effective as a metric of wellbeing and as a guide to better understand the impact of economic programs. It focused its efforts on the areas deemed most conceptually challenging in the current measure: namely, the treatment of medical care, childcare, and housing, as well as the data infrastructure. In its deliberations the Panel was guided by four core principles—accuracy, consistency, transparency, and feasibility—as well as attributes of the principles such as timeliness, completeness, and accessibility. In some cases, there was tension in meeting these principles. For example, revisions that improve accuracy in capturing resources such as imputed rent from owner-occupied housing may be less transparent to explain to the general populace or less feasible to implement in practice. In weighing changes to the SPM, the Panel ensured that any changes made to the threshold were balanced by corresponding changes to the resources side of the ledger. These are summarized in Table 1, which highlights important differences between the PPM and SPM.

Table 1. Comparison of OPM, SPM, and PPM Measures of Income Poverty

Measure	**Poverty Threshold**	**Resources**	**Unit**
OPM	3*Economy Food Plan that varies by family size	Before-tax money income from market sources, government assistance, and relatives and others	Family, defined as two or more individuals related by marriage, birth, or adoption. Unrelated individuals are included as separate units in the poverty universe
SPM	Food, Clothing, Shelter, Utilities, Phone, & Internet) and a 20% markup. Varies by SPM unit size, renters and owners, and cost of housing	OPM Income + in-kind benefits + tax credits – MOOP – child support paid – work expenses (includes childcare) – tax payments	SPM Resource Unit, which adds to the OPM unit cohabiting partners and their children as well as foster children
PPM	Adds to SPM threshold health insurance and childcare as basic needs. Measures housing need as rent for all regardless of housing ownership status.	Adds to SPM subsidies for health insurance and childcare, as well as imputed rental income of owner-occupied housing	Household, which adds all those in the dwelling unit not already captured by the SPM Unit

Note: OPM = Official Poverty Measure; SPM = Supplemental Poverty Measure; PPM = Principal Poverty Measure; MOOP = medical out-of-pocket spending

A New Headline Statistical Poverty Measure

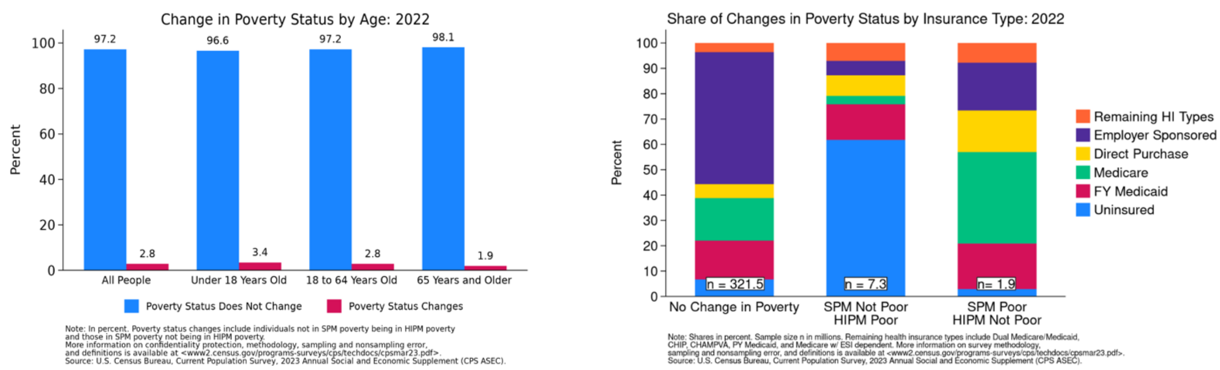
Echoing the 1995 NRC Panel, as well as recommendations of Blank (2008) and Blank and Greenberg (2008), the 2023 Panel believed that the OPM has long outlived its usefulness as the primary measure of poverty and thus recommended elevating its proposed revision of the SPM to the nation's headline poverty statistic, renaming it the Principal Poverty Measure (PPM). Harkening back to Statistical Policy Directive 14 of 1978, the Panel recommended that the PPM be used for statistical purposes only, under the presumption that it and other measures such as the OPM are not suitable for the purposes of determining program appropriations or eligibility levels. Despite this recommendation, in the likelihood that Congress and federal agencies will still find poverty guidelines and rates useful for program administration, the Panel encouraged the Census Bureau to continue to produce the OPM on an annual basis but rebranding it as the Basic Poverty Measure.

Medical Care

The Panel determined that the current SPM conceptually fell short of characterizing basic needs of households by not including insurance necessary to cover medical care. Medical care spending accounts for over one-fifth of national income, and while it is not possible to insure fully against unexpected health shocks, it is possible to insure against unexpected health spending. The Panel argued that medical care is a fundamental need of all persons to attain self-sufficiency and to participate fully in society. Currently medical need is captured in the SPM through the deduction of out-of-pocket medical expenses from resources, but the cost of medical insurance is not included. Thus, the Panel recommended inclusion of health insurance premiums in the threshold. Specifically, following the extensive research by Korenman and Remler (2016) and Korenman et al. (2019) to develop health inclusive poverty measures (HIPM), health insurance need is proxied by assigning to each non-disabled person under age 65 the price of an age-specific Silver Plan under the Affordable Care Act (ACA). For those aged 65 and older, or the disabled under age 65, the price of the full-cost Medicare Advantage Plan that includes prescription drug coverage is recommended. Balancing this change to the need standard, the Panel recommended adding to resources the value of employer-sponsored or government-subsidized or provided health insurance. Annual spending on Medicare and Medicaid is approaching $1.5 trillion, and employer-paid premiums are nearing $1 trillion, but these subsidies are not currently captured in the SPM. Because health insurance transfers are nonfungible, this subsidy should be capped at the need value. In other words, once an individual has an insurance plan that meets the need value, a more generous insurance plan above and beyond that value would not be counted as adding more resources to the household. Finally, because individuals still pay substantial uninsured costs of medical care, out-of-pocket spending on medical care should be deducted from resources, though unlike current practice, these deductions are to be capped at the out-of-pocket maximums for ACA Marketplace Plans.

Census has already investigated how to incorporate these changes to the treatment of health insurance into the SPM. Figure 2, which reproduces the same figure found in Creamer (2023), shows how household poverty status changes in 2022 if the HIPM were used instead of the SPM. The vast majority of the population – 97 percent – have the same poverty status under SPM and HIPM; those without health insurance make up 60% of those who are newly measured as poor under HIPM. Intuitively, this is because the need for health insurance is added to the needs standard but since these households do not have insurance there is no addition made to the resources side of the ledger.

Figure 2. Change in SPM Poverty Status with Inclusion of Health Insurance



Source: Creamer (2023).

Childcare

The majority of families with children incur childcare costs, which can be very high. For households with young children who use child care, one-sixth of household budgets go to childcare.[14] Moreover, households receive nearly $20 billion in annual subsidies to defray the cost of childcare. However, in the current SPM, childcare is treated as a cost of working, and is subtracted out of resources but not included in the threshold. In addition, subsidies are not directly quantified but only indirectly captured in the SPM to the extent that they reduce the amount of out-of-pocket spending that gets reported to the CPS, which is then subtracted from resources. Thus, the Panel recommended that the Census Bureau and BLS begin a new research agenda on how to incorporate childcare as a basic need, and how to value the subsidies received.

[14] https://www.whitehouse.gov/cea/written-materials/2023/07/18/improving-access-affordability-and-quality-in-the-early-care-and-education-ece-market/

The Panel was more circumspect in its recommendations on childcare than with medical care owing to the lack of research on how to incorporate a need for childcare into the threshold, which would almost certainly require additional data collection in the CPS ASEC and ACS. One suggestion for immediate change was to add childcare costs as a need for parents enrolled in education or training programs. It was also agreed that in the short run for those households using paid care that childcare need be added to the threshold. Valuing the cost of childcare is difficult, because costs for paid care vary substantially by age, number of children, types of care, location, among others. One approach to valuing need is to use state and federal policies directing reimbursement rates for subsidized care such as those established for Child Care and Development Fund (CCDF) programs. Balancing this addition to the threshold, it is then also necessary to include in resources the value of childcare subsidies and childcare tax credits received by households (the latter are already counted in the SPM), with those subsidies capped at the value of need. While all children need care, many parents choose to stay home with their children or rely on extended families and friends to provide care. Thus, the Panel encouraged research on how to value that care. Following those in paid care, one approach is to assign all families a CCDF-type subsidy as a proxy for need in the threshold whether they use paid or unpaid care, and then add that same subsidy to the resources side of the ledger for those using unpaid care. There is a rich literature on the valuation of nonmarket home production (e.g., NRC, 2005, Chapter 3; Suh and Folbre, 2015) but more research as applied to poverty measurement is needed.

Housing

The SPM currently includes a comprehensive treatment of housing in the threshold. However, it was the assessment of the Panel that the treatment of housing could be improved in both conceptual clarity and transparency. The two primary concerns with the current approach are the fact that different thresholds are utilized depending on whether the householder rents or owns their home, even though all have the same basic need for shelter and housing ownership is endogenous, and that all nonmetropolitan areas of a state are lumped into a single housing category despite the fact that there is substantial variation in housing cost across rural areas within a state. The Panel recommended replacing the current approach with Fair Market Rents (FMRs) as the threshold shelter need. FMRs are established by the U.S. Department of Housing and Urban Development for the housing choice voucher program and are designed to proxy the rent for a moderately priced, standard-quality dwelling in the local housing market. As such, they vary across the over 2,700 housing authorities in the nation, offering substantial geographic variation in the threshold relative to the current approach.

On the resource side the SPM currently includes housing subsidies, and the Panel recommended continuing that practice, with the value of the subsidy capped at the FMR. In addition, recognizing that there is implicit income associated with home ownership, the Panel recommended adding as a resource the value of the rental income that could be derived from owner-occupied housing if it were on the rental market, less any user costs such as homeowners' insurance and interest on a mortgage. This would align the PPM with current practice in other agencies of the federal government, including the Bureau of Economic Analysis in its annual estimates of national income, as well as some other countries in their own poverty statistics.

Data Infrastructure

The resources for the current OPM are wholly measured using annual survey responses to the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), while those used in the SPM come primarily come from the CPS ASEC though several items are imputed (simulated) such as housing assistance and tax payments and credits. The CPS ASEC faces two pressing challenges: first, the increase in survey nonresponse both to the survey overall and to specific questions like earnings (Bollinger et al. 2019), and second, substantial underreporting of transfer program participation and dollar amounts (Meyer, Mok, and Sullivan 2015). A third challenge is the limited sample size in the ASEC to conduct subnational poverty tracking and program evaluation. No less important is that the proposed PPM contains new resource and threshold elements which would require new survey data.

Recognizing these challenges the Panel made several recommendations on improving the data infrastructure. The most significant of these is the recommendation to extensively link administrative data records with the surveys, especially from transfer programs. Census has embarked on this effort for the last several years (and much longer for earnings), but a substantial barrier to carrying this out is the fact that states control the data for most transfer programs and for confidentiality purposes are reluctant to share data. A methodological challenge is that ex ante it is not always obvious whether to treat the survey or the administrative records as the "truth," because both sources of data may contain errors or differences in what is covered by the measurement. In the case of social transfers almost surely the administrative records are preferred because this is an accounting of actual benefits paid out to recipients. For labor market earnings, however, survey responses may be preferred as they may include wages from jobs not subject to taxation (and thus not in the administrative universe), or from jobs that are not reported to tax authorities. This suggests a need for further research on integrating administrative records as currently in progress with the Census NEWS project (see Bee et al. 2023).

Criticisms of Report Recommendations

Measuring poverty is complex, requiring extensive research and a number of expert judgments on how to define resources and needs, as well as the data infrastructure necessary to operationalize measurement. This makes the process inherently controversial because well-informed observers may disagree on what should and should not be considered a need or a resource, or even who should have ultimate say on such matters. There have been criticisms of the SPM, and new ones have emerged since the release of the 2023 NASEM report.

Burkhauser et al. (2021) criticized the SPM for not including the value of government health benefits or the service flow value of homeownership in resources; for its reliance on survey data that underestimate some elements of income; for the complexity of the threshold calculation, particularly in regard to housing; and for its use of geographic adjustments to thresholds.

The PPM addresses many of these concerns raised about the SPM (Dolan 2024). This includes the removal of the multiple thresholds based on housing ownership status and the treatment of housing income recommended in Burkhauser (2021). Geographic adjustments in the PPM are now built into the thresholds and rely on the programmatic uses of the Fair Market Rents and not the adjustments included in the SPM. The PPM also includes the value of Medicaid and Medicare in the resources and recommends using administrative data to improve the income measure in surveys.[15]

One of the recent criticisms of the PPM is that poverty should be defined by Congress and not an unelected panel. Winship (2023), and even Rubio (2023), argue that decisions on poverty are inherently moral, and not scientific, and such decisions should be left to the elected representatives in Congress. While the ultimate decisions on which suggestions to adopt will be

[15] In the public meeting on the release of the report (see CNSTAT 2023), Kevin Corinth recognized many of these improvements in the PPM.

made by policymakers, those decisions should be informed by research and careful analysis. Indeed, the National Academies (which sponsored the panel and report) were established by President Lincoln in 1863 for the sole purpose of providing scientific evidence and advice to help policymakers make informed decisions. This Panel adhered to its charge of providing expert advice to the Census Bureau on potential conceptual and methodological improvements to the SPM. One enduring legacy of Becky Blank (2008, p. 25) was her strong recommendation to "Assign a statistical agency the authority to develop an alternative measure of income poverty,…. We must remove control over poverty measurement from within the Executive Office of the President (*and Congress, added*) if we want to produce a regularly updated and improved poverty measure. Poverty measurement should be treated like all other statistics."

The other recent criticism, raised by Corinth (2023), is that the proposed PPM thresholds will be higher than, and increase more than, the OPM thresholds, and thus if it were used for program eligibility it would expand access to the safety net to more households. As noted above, the OPM rate and thresholds (or guidelines) are used by the federal government to determine the allocation of federal resources across states for a number of programs, and the guidelines are used to determined eligibility for scores of transfer programs. However, since the PPM measure consistently includes some components in both resources and thresholds (e.g., housing, health care, and childcare), it is not clear how these measures could be used for program eligibility.

Moreover, to the extent that programs use the poverty rate and not the threshold to determine allocation of resources, there is even less certainty what direction the poverty rate will move because the PPM adds a number of currently unaccounted-for subsidies for health insurance and childcare, as well as imputed rental income. If agencies continued to use thresholds or guidelines for program eligibility, they would be at liberty to continue to use the

OPM, and if using the PPM, they can always adjust the percentage of the threshold for qualification. For example, SNAP uses 130 percent of the OPM guideline for gross income eligibility for non-seniors and non-disabled households. If the PPM guideline is 30 percent higher than OPM then Congress always has the option to set eligibility at 100 percent of the PPM guideline to make the change revenue-neutral.

A final criticism is that some think it would be preferable to scrap entirely an income-based measure of poverty and instead rely on a consumption measure of wellbeing and poverty. Some argue that consumption is less subject to measurement error, is a better proxy for wellbeing as it reflects longer-term economic factors facing the household, and is less affected by idiosyncratic changes in annual incomes (Meyer and Sullivan, 2012).[16] When it comes to the specific challenges of constructing a consumption-based measure, the Panel recognized that there are several challenges affecting surveys across federal agencies both here and the developed world. Indeed, the main data source for consumption—the Consumer Expenditure Survey—conducted by the BLS has experienced a substantial decline in response rates which places more burden on the construction of survey weights to maintain population representativeness. The report also discusses the importance of considering assets and debt in assessing poverty. As a general matter, however, the Panel did not reject consumption as a valuable metric of wellbeing, but instead adhered to its charge from the Census Bureau and BLS to recommend improvements to the SPM and thus restricted it efforts to measuring income poverty. Although not a specific recommendation, the report recognized the importance, stressed by Blank (2008) and Blank and Greenberg (2008), that multiple measures of wellbeing, including material hardship and consumption, play in evaluating poverty.

[16] NRC (1995) also mentioned the possibility of using a consumption measure for poverty.

Conclusion

The 2023 NASEM Panel recommended several advances to poverty measurement, notably with the treatment of medical care, childcare, and housing, as well as the data infrastructure, but recognizing that some areas were not addressed, they recommended that expert panels be assembled on a regular (e.g. 5-year) basis to advise Census and BLS of future possible revisions to how we measure poverty.

Three areas stand out as areas for potential future consideration—transportation, food assistance, and assets and debt. While the 2023 Panel held discussions on these topics, there were no firm recommendations put forth. In a typical year, transportation costs comprise the second or third largest category in household budgets. The current SPM accounts for work-related expenses by deducting a simulated value from resources, but much like with health insurance and childcare, a case could be made that transportation belongs as part of a basic needs budget and thus should be included in the threshold. Research on valuing transportation for the purposes of poverty measurement is needed to help guide decisions on whether and how to include it as part of a basic needs bundle. The panel did not recommend changes in the method for incorporating food into the threshold. While food need is currently based on measured spending patterns, a case could be made to replace it with a need-based metric along the lines proposed for medical care, childcare, and housing. For example, the Thrifty Food Plan, which is one of four food plans produced by the USDA and underlies the SNAP benefit could be used to gauge food need. However, the USDA food plans only account for food produced and consumed at home, and thus would require additional adjustments to account for food produced and/or eaten away from home. Research is needed on how to make such adjustments, and potential implications for measuring need. Finally, many households carry debt with required mandatory payments (e.g.

student loans) that limit the extent that they can meet basic needs, but whether these payments (like housing tenure) are endogenous and thus conflate income flows from asset stocks is subject to debate. In coming years these topics, along with potentially several more, are likely to form the basis of rich research and policymaking on measuring the wellbeing of low-income households in the United States.

Becky Blank's research highlighted the importance of both theoretical concepts and practical measurement issues in measuring poverty. In recent decades, there has been much careful research done that has improved our ability to assess poverty. Yet there remain many thorny problems to address, and more research is needed. The field will continue to build on Becky's legacy to refine and improve our measurement of poverty.

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