



Comments on OMB's Considerations for Additional Measures of Poverty

To: Office of the Chief Statistician

From: Shawn Fremstad, Center for Economic and Policy Research; David Brady, University of California, Riverside and WZB Berlin Social Science Center, and Karen Dolan, Criminalization of Poverty Project at the Institute for Policy Studies

Re: Response to OMB's Request for Comment on Considerations for Additional Measures of Poverty, Docket Number OMB-2019-0007

Date: April 14, 2020

The Process for Adopting Poverty Statistics

OMB should immediately publish a notice extending the comment period on this notice until at least 30 days after the end of the current National State of Emergency and any state emergency declarations related to COVID-19. As a result of the pandemic, many experts and advocates working for nonprofit organizations at the national, state, and local level simply do not have the bandwidth to provide comments within the current timeframe.¹ A substantial number of national, state, and local nonprofit organizations have asked the federal government to extend the comment period. If the federal government denies or ignores this request, any alternative measures it adopts will be widely viewed as the illegitimate outcome of a process that failed to give interested parties a fair opportunity to be heard.

Before the federal government adopts any *specific* alternative poverty measures, the proposed measures should be published for notice and comment. Adopting a measure of "poverty" involves making various judgments that are not purely technical or scientific, and that need to take the public's views into account. This is particularly the case when it comes to judgments about how to define poverty and where to set poverty thresholds. The federal government should provide transparent and reasoned justifications for any specific alternative measures it proposes to adopt and for major elements of any measure, including alternative poverty thresholds. The public should then have at least 90 days to review and

¹ Due to the national emergency, we have had limited available time to respond to OMB's request. As a result, these comments address a limited number of the issues raised by the Interim Working Group's very broad request for comment.



comment on these specific alternative measures before they are adopted by the federal government for use and publication on a regular basis.

Beyond notice and comment, the federal government should take proactive measures to obtain public input on the development of alternative poverty measures. This should include proactive measures to obtain public input on the development of the list of modern necessities (see below) necessary to set a credible poverty threshold. Special efforts should be made to directly consult with people with low and moderate incomes, people with disabilities, people with care and/or support obligations, young adults, people with student loans, workers in poorly compensated jobs, and people receiving Supplemental Security Income (SSI), Medicaid, SNAP, and other means-tested benefits.

The Need for a Modern Framework for Measuring Economic Security

The National Academy of Sciences should study and make recommendations on developing a new national statistical framework for measuring poverty and basic economic security. Conventional, binary poverty measures (ones that measure whether a household's income or consumption during the year falls above or below a poverty threshold) are important but do not provide a comprehensive picture of economic security by themselves. A broader, national statistical framework should include measures of resource poverty, other forms of economic hardship related to having limited resources,² and measures of economic security.³ The goal should be to develop a suite of measures that provides an accurate and publicly creditable picture of poverty and basic economic security.

Income Poverty Thresholds and the Importance of Truth-in-Labeling

The term “poverty” should be reserved for measures that meet specific, transparent criteria. The term “poverty” should only be used to label measures with thresholds that reasonably correspond to the current costs of a basket of goods and services that are judged to be necessary in order to meet material requirements and have the opportunities and choices necessary to participate in society.

² As researchers at the Urban Institute have noted: “Information on national trends in the prevalence of material hardship is limited. Most major federal surveys do not take a comprehensive approach to measuring this concept, instead focusing on individual aspects of hardship in isolation.... The Survey of Income and Program Participation (SIPP) is an exception, but the SIPP modules on adult and child well-being are not fielded regularly....” Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, [Material Hardship Among Nonelderly Adults and their Families in 2017](#) (Washington, DC: Urban Institute, 2018).

³ The Federal Reserve's [Survey of Household Economics and Decisionmaking \(SHED\)](#), an annual survey launched in 2013, and the Urban Institute's [Well Being and Basic Needs Survey](#), an annual survey launched in 2017, are potential models.

The federal government should not use the term "poverty" as a label for statistical measures with dollar thresholds that are: 1) set arbitrarily; 2) unsupported by evidence and explanation, or 3) that have become effectively arbitrary or unsupported over time due to the federal government's failure to re-benchmark the base threshold using contemporary information. (For example, the OPM's base threshold was set in the 1960s using consumption data from the 1950s, and has only been adjusted for inflation since then. The OPM's current threshold does not reflect a considered judgment about the income needed to purchase necessities in today's economy and participate in today's society.)

Any new poverty thresholds should combine contemporary public views in determining what should be considered as necessities with scientific methods of using this information to define poverty. Any new alternative poverty measures should take into account contemporary public views on the income needed to live at a minimally decent level and have the opportunities and choices necessary to participate in society. Even the SPM is based on outdated assumptions about the goods and services that are necessities of contemporary life in the United States. As the last NAS panel on poverty measurement noted 25 years ago when it made the recommendations for a new measure that became the SPM, their recommendations were based on "narrow conceptualization of poverty" that focused on "economic deprivation, narrowly defined" and was limited to "food, clothing, and shelter" plus a "small amount for other needed spending."⁴

Any set of alternative poverty measures should include a measure with a poverty threshold that is more in line with public opinion on the income needed to not live in poverty than the OPM or SPM. In 2013, the center-left think tank Center for American Progress conducted a nationally representative survey and found that Americans thought a family of four needed \$30,000, on average, not to be poor.⁵ In a subsequent poll conducted by the conservative think tank American Enterprise Institute, Americans thought \$33,300 was needed, on average, not to be poor in 2016.⁶ By comparison, the federal poverty guideline (derived from OPM) for 2016 was \$24,300. If the same questions were asked today, the average amount Americans think is necessary to avoid poverty would almost certainly be several thousand dollars more. In fact, research using Gallup and other public opinion data going back to the 1960s has found that most Americans believe that an income equal to roughly half of median

⁴ Measuring Poverty: A New Approach (Washington, DC: National Academy of Sciences, 1995) at page 20.

⁵ Center for American Progress, [50 Years After LBJ's War on Poverty: A Study of American Attitudes About Work, Economic Opportunity, and the Social Safety Net](#), January 2014.

⁶ [AEI and LA Times release new data on public opinion on poverty](#), August 16, 2016.

disposable income is needed not to be poor.⁷ And if Americans were asked to include the cost of purchasing health insurance and child care at market rates in their estimates, there is little question that these estimates would be substantially higher.

Addressing the disconnection between the OPM and broad public understanding of the income needed not to be poor should be a priority in the development of any alternative poverty measures. Government statistics should be relevant, credible, and accurate. A poverty measure that sets the poverty line below mainstream public views should not be adopted absent very compelling reasons to discount these views. If anything, the public likely substantially underestimates the income needed not to be poor when it responds to basic polling questions like the ones used by AEI and CAP.⁸

The federal government should include one or more conventional relative poverty measures in any set of alternative poverty measures. According to Ron Haskins and Isabelle Sawhill, writing from a conservative and center-left perspective, respectively, “relative poverty is a better measure of individual well-being than absolute poverty, because social context and community norms about what it means to be poor change over time, implying that the poverty line should be adjusted as economic growth makes everyone better off.”⁹ Relative poverty measures are commonly used in other countries and in scientific research (including scientific research in the United States). Such measures include the United Kingdom’s measure, which uses a low-income threshold equal to 60 percent of median equivalised disposable income, and the OECD’s measure, which sets the threshold equal to 50 percent of median equivalised disposable income.

Conventional relative poverty measures are both transparent and consistent with how the public generally understands poverty over time. They are also consistent with 44 U.S.C. 3504(e)(6), which requires OMB to “coordinate the participation of the United States in

7 “The relationship of the Gallup-based poverty series to the median income after tax in the three decades since 1960 also lends some support to the practice of a number of researchers to set relative poverty thresholds at 50 percent of the median income.” Denton Vaughan, [Exploring the Use of the Views of the Public to Set Income Poverty Thresholds and Adjust them Over Time](#), Census Bureau Working Paper, June 1993, updated February, 2004.

8 Researchers in the United Kingdom have developed measures of the income needed to reach a “minimum socially acceptable standard of living in the UK today, based on what members of the public think.” The method these researchers use is designed to develop “a negotiated consensus among ... socially mixed groups.” Almost all households with income below 60 percent of median income in the UK have income below this minimum income standard. See, e.g., [A Minimum Income Standard for the UK in 2019](#), Joseph Rowntree Foundation and Abigail Davis, David Hirsch, Matt Padley, and Lydia Marshall, [How much is enough? Reaching social consensus on minimum household needs](#) (Centre in Research on Social Policy, Loughborough University, 2015).

9 Ron Haskins and Isabel Sawhill. *Creating an Opportunity Society* (Washington, DC: Brookings Institution Press: 2009)

international statistical activities, *including the development of comparable statistics...*” [italics added].

The federal government should use a five-year average of median income to smooth annual changes in its relative poverty line over time (and particularly during periods where there are sharp single-year upward or downward changes in median income). The federal government should also consider the use of “anchor” years to track relative poverty trends over short to medium periods of time. For example, setting the poverty threshold equal to 60 percent of median income in a base year and then updating it for five to ten years using the CPI-U.

The working group errs when it states that an absolute poverty measure “tracks changes in absolute levels of material hardship over time.” In contrasting absolute and relative poverty measures, the working group defines absolute poverty measures as ones that “hold [income] thresholds constant in real terms” and “track changes in absolute levels of material hardship over time.” It would be more precise to say that “absolute poverty measures” (as defined by the working group): 1) hold poverty thresholds constant in real terms *relative* to a base year; and 2) track the share of people with incomes below a threshold set *relative* to a base year.

In short, so-called absolute measures are actually relative to the specific past base year in which they are established. Thus, the current-year value of a supposedly absolute measure will vary depending on the base year it was initially set in. Suppose, for example, that the unofficial poverty line used by the Subcommittee on Low-Income Families in 1949, which was equal in constant dollars to about 85 percent of the official poverty line in 1964, had been adopted at that time as the nation’s official poverty measure and adjusted for inflation in subsequent years.¹⁰ In 2010, the threshold for this “base-1949” poverty line would be considerably lower than the thresholds for the actual official (“base-1963”) line. Most would agree that the base-1963 line better reflects a current poverty-level income than the base-1949 line, but this then begs the question of why the measure for the current poverty level should be based on any particular previous year.

Adjusting Poverty Thresholds Over Time

Reliance on inflation measures should be minimized. The federal government should not use inflation measures to update poverty thresholds for more than short periods of time (five to

¹⁰ Gordon M. Fisher, [“Is There Such a Thing as an Absolute Poverty Line Over Time? Evidence from the United States, Britain, Canada, and Australia on the Income Elasticity of the Poverty Line.”](#) (U.S. Department of Commerce, Census Bureau: 1995).

ten years at most) before re-benchmarking the threshold for changes beyond inflation, including changes in social consensus about the income necessary for a decent basic standard of living, which tends to track changes in mainstream living standards. If inflation measures are used to update poverty thresholds for longer periods of time, in lieu of regular re-benchmarking, the federal government should take particular care to avoid using measures that harm working-class people by *understating* the rising living costs they face.¹¹

More generally, the OMB and federal statistical agencies should acknowledge that: 1) the CPI-U, C-CPI-U, CPI-W, PCEPI, and other prices indices all have biases; 2) the PCEPI is particularly unsuited for adjusting poverty thresholds because its market basket includes too little housing and too much technology to make it relevant for low-income people; and, 3) recent estimates that use the PCEPI to update the OPM overtime produce poverty thresholds that are implausibly low and wildly inconsistent with mainstream public understanding of the income needed to not live in poverty.

Consumption Poverty Measures

The federal government should not adopt a “consumption-poverty” measure at this time.

Developing a consumption-poverty measure that is credible and relevant would require a very substantial commitment of time and federal resources. Absent a large increase in federal funding, the Consumer Expenditure Survey is too small to provide much more than a few national topline poverty statistics. Since a substantial increase in federal funding for the CEX seems unlikely (and is not being proposed by this administration), it would be better for the federal government to focus on producing a set of income-based measures that are as accurate and relevant as possible.

To be credible and relevant, a consumption-poverty measure would need to take debt into account. Evidence from the Survey of Consumer Finances suggests that low- and moderate-income households' indebtedness rose during the housing bubble of the 2000s. Rising debt may have temporarily shored up consumption, but it masked strains on these households' income and the grave and growing risks to households if (as indeed happened) their home values collapsed. Such risks included foreclosure, home loss, eviction, loss of retirement security, bankruptcy, and badly damaged credit history.

¹¹ Writing from a conservative perspective, Oren Cass notes: “When analysts use inflation adjustments to compare household resources over time, they have chosen the wrong vantage point, and their view is obscured.” Oren Cass, [The Cost of Thriving Index: Reevaluating the Prosperity of the American Family](#), Manhattan Institute, February 2020.

A credible and relevant consumption–poverty measure would also need to use a poverty threshold that reflects a carefully reasoned judgment about the level of consumption that is necessary today not to be poor by contemporary, mainstream standards. This threshold should be set using the kind of public process outlined above.

Including Health Insurance in Poverty Thresholds and Resources

The cost of comprehensive health insurance should be included in poverty thresholds.

Comprehensive health insurance is a fundamental human right and a basic necessity. In 2019, the vast majority of Americans (just over 90 percent) had health insurance. The federal government should acknowledge these facts by defining poverty in a way that includes comprehensive health insurance (in addition to decent housing, an adequate and nutritious diet, clothing, transportation costs, and various other goods and services that are required for a decent basic standard of living and to participate in society in the United States today).

If the current market cost of comprehensive health insurance is not included in any alternative poverty thresholds, then the receipt of employer–sponsored health insurance, Medicare, Medicaid, or other public health insurance should not be counted as a resource for determining whether someone is above or below an alternative poverty line. Counting these benefits as resources without explicitly adding the cost of health insurance to the poverty threshold would result in a measure of poverty that is uncredible, and would mean that federal statisticians believe that in–kind health insurance is a resource available to meet housing, food, and other necessary costs, which is absurd.

Disability, Care, Student Loan Debt and Other Issues

The interim guidance fails to consider other relevant aspects of poverty measurement. Key questions that are relevant, although not specifically mentioned in the notice, include 1) whether student loan and other mandatory debt should be subtracted from income (as recently recommended by an independent, nonpartisan commission in the United Kingdom formed and led by the Legatum Institute’s CEO Baroness Phillipa Stroud, a Conservative member of the House of Lords)¹²; 2) how to take the extra costs of disability and necessary social care into account when measuring poverty;¹³ 3) how to take the costs of necessary child

¹² For more on the work of this commission, see their publications page, <https://socialmetricscommission.org.uk/category/publications/>.

¹³ Amartya Sen notes that “handicaps, such as age or disability or illness, reduce one’s ability to earn an income. But they also make it harder to convert income into capability, since an older, or more disabled or more seriously ill person may need more income (for assistance, for prosthetics, for treatment) to achieve the same functionings (even if that achievement were, in fact, at all possible). Thus real poverty (in terms of capability deprivation) can easily be much

care as well as children’s development and educational needs into account when measuring poverty;¹⁴ and, 4) how to ensure people experiencing homelessness and others who are less likely to be captured in household survey data are included in poverty counts.

more intense than we can deduce from income data.” Amartya Sen, *The Idea of Justice* (Harvard University Press, 2011) at p. 256. Empirical research that supports Sen’s point using U.S. data include Peiyun She and Gina Livermore, [Material Hardship, Poverty, and Disability Among Working-Age Adults](#), *Social Science Quarterly*, 88(4) (2007) and Susan Parish, Roderick Rose, and Megan Andrews, [Income Poverty and Material Hardship among U.S. Women with Disabilities](#), *Social Science Review*, 83(1) (2009).

14 The United Kingdom tracks the number of children in “severe low income” and “material deprivation.” “Severe low income” means having equivalised household income below 50 per cent of contemporary median income. “Material deprivation” means having a score of 25 or more (out of a 100) calculated based on answers to a suite of questions that ask whether the household has 21 goods and services, including child, adult and household items. [HBAI Quality and Methodology Information Report: 2018/19](#), UK Department of Work and Pensions.