The Measure of Poverty

by the Rev. Fred Kammer, S.J.

In their 1986 book-length pastoral letter, *Economic Justice for All*, the U.S. Bishops reminded us of the importance of confronting poverty in these words:

*Dealing with poverty is not a luxury to which our nation can attend when it finds the time and resources. Rather, it is a moral imperative of the highest priority.*

But what does it mean to speak of poverty in the United States? Drawing on the tradition of Catholic Social Teaching, the bishops explained it this way, “By poverty, we are referring here to the lack of sufficient material resources required for a decent life.” Then, in the next sentence, they acknowledge the complexity of the question, “We use the government’s definition of poverty, although we recognize its limits.” And a footnote introduces elements of the national debate about what we call “the poverty line.”

The current poverty line measure was developed in the Social Security Administration in the early 1960s by research analyst Mollie Orshansky. It was based on surveys in the prior decade regarding American families and their food consumption. The poverty level was set at three times a subsistence food budget, based on the experience that families at that time spent one-third of their income on food. The poverty line is still calculated on that basis and adjusted for family size. The 2008 measure is $17,163 dollars for a family of three.

In four decades, however, food costs have declined dramatically as a percentage of the average family budget, now being only 17 percent. Other costs such as child care, housing, health care, education, and transportation now consume a much larger part of the average family budget. Additional factors also have contributed to debate about the official poverty line: it only considers actual cash income, not other resources such as food stamps/SNAP, the Earned Income Tax Credit (EITC), housing subsidies, and a variety of federal and state health programs; and it does not reflect the variations in cost-of-living, especially housing costs, across the country.

In the early 1990s, Congress asked the National Academy of Sciences (NAS) to tackle the question of the adequacy of the Orshansky standard (which she herself questioned). Based on the work of an expert panel, NAS released recommendations for a new measure in 1995. Those recommendations included:

1. a new poverty threshold based on median spending by a family of four on food and clothing and shelter, and a multiplier to reflect other family needs; this too is then adjusted for family size;
2. an income definition that includes cash (after taxes), tax credits, and in-kind benefits, but subtracts expenses such as child care that reduce available family income;
3. subtraction of medical out-of-pocket spending (MOOP) from income; and
4. adjustment of the poverty threshold to reflect the significant disparity in living costs across various regions attributable to differences in the cost of housing and utilities.

In 2009, legislation was introduced in both houses of Congress—the Measuring American Poverty (MAP) Act of 2009—to require the Census Bureau to develop a modern poverty measure. Some states and cities also are looking at measures of poverty for their populations.

In a recent release, the Center for Law and Social Policy (CLASP) carried out the calculations under two versions of the NAS standards—one with the regional adjustments for housing and utilities and the other without it—and compared them to the current poverty standard. Under this scenario, there are a number of interesting results:

1. Using the NAS measure, the national poverty rate increases by 1.6% over the current poverty level, from 12.5% to 14.1%.
2. All states’ poverty level increased except Massachusetts, Rhode Island, and the District of Colombia.
3. Poverty rates increased by more than 3% in Kentucky, Mississippi, and South Carolina.
4. When the regional adjustment for housing and utilities is applied, however, poverty rates decreased for 26 states, including Alabama (-2.7%), Arkansas (-3.1%), Louisiana (-2.5%), Mississippi (-2.8%), and West Virginia (-2.9%).
5. With the housing and utilities adjustment, the greatest increase in the poverty line would be in California (+8.1%).

A look at the Gulf South states under the three measures shows variations in the percentage of the population “in poverty” in the chart:

Of course, measuring poverty is only useful if there is a resolve on the part of policy-makers, community leaders, government, non-profits, businesses, voters, and the poor themselves to do something about the level of poverty, however measured. Income measures alone also can lead to a narrow view of responses that focuses only on economic remedies that result in measurable income improvements.
Some argue that simply “tweaking” a monetary measure of poverty fails to grasp the breadth of human life, the wider impacts of poverty, and the necessarily broad range of essential responses to poverty. They call for a paradigm shift in our measures of poverty. While there are a variety of such measures, the one which has gained acceptance on an international scale is the Human Development Report and its Human Development Index adopted by the United Nations Development Programme in 1990. The focus here obviously is more on “human development” than “poverty,” drawing on the work of economist Mahbub ul Haq at the World Bank in the 1970s.

…Dr. Haq argued that existing measures of human progress failed to account for the true purpose of development—to improve people’s lives. In particular, he believed that the commonly used measure of Gross Domestic Product failed to adequately measure well-being.6

The index developed by Dr. Haq and others focuses on three key dimensions—a long and healthy life, access to knowledge, and a decent standard of living. This is a narrower focus than the full-blown human development categories, but covers key measureable markers.

For each dimension, there is a respective “index” built on certain indicators and together these indices lead to an overall human development index. The report explains the measures used in the U.S. context:

A Long and Healthy Life is measured using life expectancy at birth, calculated from mortality data from the Centers for Disease Control and Prevention, National Center for Health Statistics, and population data from the U.S. Census Bureau, 2005.

Access to Knowledge is measured using two indicators: school enrollment for the population age three and older, and educational degree attainment for the population 25 years and older. Both indicators are from the American Community Survey, U.S. Census Bureau, 2005.

A Decent Standard of Living is measured using median earnings of all full- and part-time workers 16 years and older from the American Community Survey, U.S. Census Bureau, 2005.7

The overall approach shifts our attention from “how the economy is doing” to “how the people are doing.” In this context, the definition of poverty shifts from a lack of income or material goods to “a lack of basic capabilities for sustaining a tolerable life.”8 The U.S. report explains further:

Human poverty is often closely related to a lack of money and material goods. But the loss of dignity that accompanies income poverty also stems from a sense of powerlessness to change one’s living conditions, a lack of autonomy and control over many crucial decisions, and a feeling that one is marginalized or excluded politically, socially or psychologically—and thus deprived of participation, choices, and opportunities.9

The human development approach has now been applied to the U.S. context in the American Human Development Report 2008 – 2009 and, most recently, has led to two lengthy state reports, one on Mississippi10 and the other on Louisiana.11 The index approach combines an array of key human-centered indicators through the three dimensions into a single number. For the U.S., that number is 5.06, ranking 12th among 177 nations now measured by the system. Within the U.S., it is broken down in turn by state and congressional district, as well as by gender, race, and ethnicity. The human development approach also provides a range of additional information on economic, political, social, military, and environmental issues.

The authors of the U.S. report note that the country has made great progress over the past decades on a variety of fronts and possesses enormous resources to do so. Yet, over 25 years from 1980 to 2005, in terms of the human development measure we have dropped from 2nd among the top ranked countries in the world to 12th! Our progress did not match that of other nations who have been more determined and efficient in transforming improved national income into improved health and education outcomes.12

---Continued on page 10---
Among the individual states, Connecticut (scoring 6.37) and Massachusetts (6.27) rank first and second. States in the South generally rank low because they have low life expectancy, poor education, and low incomes. Alabama (3.98), Louisiana (3.85), and Mississippi (3.58) rank among the bottom five. A more detailed look at the Gulf South states and their ranking (among the 50 states and the District of Columbia) is illustrated by the chart above.

The Louisiana state report, based on pre-Katrina data, had other significant data and comparisons:

1. Among African Americans, considering the 39 states with a sufficiently large population of African Americans to include in the analysis, Louisiana ranked last on the overall human development index (and last on the health index). [p. 8]
2. 80 percent of Louisiana’s current residents were born in the state, the highest proportion in any state in the union. [p. 9]
3. Louisiana has one of the highest rates of households headed by single women, and such households make up the majority of the poorest families. [p.30]
4. The infant mortality rate for African Americans in Louisiana is approximately the same as rates today in Bosnia and Russia. [p. 34]

The Mississippi report also highlights some key factors in the human condition there:

1. African American babies die in Mississippi at more than twice the rate of white babies. [p. 13]
2. On the state ranking, Mississippi was last, with the lowest life expectancy of any U.S. state, the highest rate of adults 25 and older who have not completed high school or earned a high school equivalency degree, and one of the lowest levels of personal earnings from wages and salaries. [p. 4]
3. Although whites have higher well-being scores than African Americans in every U.S. state, Mississippi—along with Louisiana, Alabama, and Nebraska—is among the four states with the largest disparities between the two groups. [p. 5]
4. In terms of income, Mississippi is on par with countries such as the Czech Republic and Trinidad and Tobago. [p. 12]

As you can imagine, the use of a wider range of factors in considering “poverty” lends itself to consideration of a wider range of responses in pursuit of the common good and the well-being of the “least among us.”

On March 2, 2010, the Commerce Department announced that it was preparing a more complex Supplemental Poverty Measure “based upon new data and new methodologies” to be released in the fall of 2011 “to provide an alternative lens to understand poverty and measure the effects of anti-poverty programs.” It would be released in addition to the current U.S. poverty measure.

FOOTNOTES
2. Ibid., no. 173.
4. Ibid., p. 9.
5. Ibid., p. 5.
7. Ibid., Executive Summary, p. 3.
8. Ibid., p. 19.
9. Ibid.
11. Ibid.