Commentary: The Poverty Measure

By Mollie Orshansky*

The Nation's poor have been a recurring issue in the body politic. Sometimes it has been in response to widespread distress, as in the Great Depression that helped launch Social Security, federally aided public assistance, and unemployment insurance. On other occasions, as in 1964, it has been the anomaly of that "other America" in the midst of plenty that commanded attention.

Apparently the right timing is as important as the right idea. President Johnson's 1964 request to Congress "to mobilize the human resources of the Nation to pursue total victory over poverty" brought the Economic Opportunity Act, an Office of Economic Opportunity to implement it, and a statistical series on the number and characteristics of the poor that continues to this day. By contrast, in 1928, President Hoover did not even make history with his promise that "we shall soon with the help of God be in sight of the day when poverty will be banished in the Nation."

In a highly industrialized economy, defining poverty for public policy has never been easy. The preamble to the Constitution sets forth promoting the general welfare as a national goal. Few would challenge the intent, but agreement on what is to be promoted and how is more difficult to come by. Ironically it is often the concern with a particular issue that results in statistics of definition and measurement, rather than the existence of such statistics provoking the concern.

The now-familiar statistical series on unemployment, family income, and the like did not exist until after the new programs were in place. Indeed, President Roosevelt's still-ringing words "I see a third of a Nation ill-clothed, ill-housed, and ill-fed," were distilled from sources and best guesses not fully documented from 1937 to this day. One exception may be the Agriculture Department's conclusion from a 1936-37 survey that at least a third of the families in the United States had diets that should be classed as poor.

Ours is basically a money income-credit economy, even for the minority still engaged in agriculture. Early use of "break-even" points—where family income did not cover money outlays, resulting in net dissaving for the year—no longer is relevant. In our credit economy, buying now and paying later may indicate a good credit rating and selective investment rather than financial stricture.

Budget studies, namely item-by-item shopping lists and their prices have their limitations. Today, most families make choices not only within but among spending categories. Food selection no longer is limited to choosing one food over another or stinting on meals to pay the rent. A family may weigh expensive meals at home or dinner out against recreation, travel, or other discretionary spending. Using actual consumption patterns to set the budget standard category by category may well bring the total budget cost above the true level. Such difficulties together with the fact that national consumption studies have generally not been available annually, whereas an annual income series (the Current Population Survey (CPS)) does exist, has led some investigators back to income measures of one sort or another as a welfare indicator.

The Social Security Administration (SSA), in carrying out its basic research mission, regularly assesses and reports on the economic well-being of selected groups. Widows under age 62 with minor children was one such group for whom an annual income series was developed to compare the economic status of these "young survivors" and of other women bringing up young children without a father present in the household. By 1962, changing health and industrial conditions resulted in too few new "orphans" each year to warrant an annual report. However, the number of children with no father in the household for reasons other than death was growing and their family groups had a less favorable income status than the young survivors. In an

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exploratory mode, 1961 income data for all families with children were requested from the March 1962 CPS. The results were striking: As a group, mother-child families averaged less than half the income of two-parent families, but many of the latter had low income also.

To suggest the insufficiency of family funds for the rearing of children, "crude indexes" of poverty at two levels were constructed by relating minimal food costs to family income. The findings were published in the July 1963 **Social Security Bulletin** article "Children of the Poor." Though separate criteria of need were computed allowing for family size, type, and nonfarm-farm residence, only the illustrative levels of $3,165 and $3,995 for an urban husband-wife-two-children family were shown.

Meanwhile, the Council of Economic Advisors planning for the War on Poverty to be proclaimed in 1964 was using $3,000 as the poverty line for a family of two or more. This amount could be construed as roughly in line with a price-adjusted figure for low-income status from earlier reports by the Joint Economic Committee. The fortuitous illustrative figure of $3,165 for a four-person family in "Children of the Poor" provided a normative rationale the $3,000 figure otherwise lacked.

The SSA research plan to extend the crude index to families without children was accelerated and the article reprinted on the following pages resulted, followed by a number of analyses for subsequent years. Also, at the request of the Council of Economic Advisors for trend data by the "new" poverty measure, SSA backdated the poverty criteria to 1959, using Food Plan Costs to reflect price change. The Council and the Office of Economic Opportunity adopted the measure for their own use in planning and budgeting, and by 1969—at the request of the Bureau of the Budget—all Federal agencies were expected to use it. The Bureau of the Census was to compile annual statistical reports of poverty using the Bureau of Labor Statistics Consumer Price Index to adjust for price change, a task Census continues to fulfill.

The utility of the SSA poverty index owes much to an accident of timing: It appeared when needed. The link to nutritional economy and food-income consumption patterns endowed an arbitrary judgment with a quasi-scientific rationale it otherwise did not have. And, the fact that adjustments for family size and composition produced about the same results as the one-size-fits-all criterion, even while it permitted more meaningful comparisons of group vulnerability, was perhaps the chief reason for its acceptance. The increase of 4 million in the number of poor children, balanced largely by a decrease in the count of aged poor, strengthened the rationale for the Head Start program, one of the most popular anti-poverty innovations.

The poverty measure did something else, not intentional and yet seemingly inescapable. By adding family-size differentials, it facilitated operational use of the index to determine program eligibility for individual families, a use specifically foresworn by SSA, the Council of Economic Advisors, the Bureau of the Budget, and a host of critics. The distinction between a statistical construct as a research tool for program planning and as a working measure of individual program eligibility is more apparent than real.

How best to define poverty—absolutely relative as some would or relatively absolute as we now do—may be debated, but some of the unanticipated uses to which the poverty measure has been applied are of interest. In passing the Voting Rights Act of 1965, Congress directed the Justice Department to test the constitutionality of the poll tax. By using the meager food allowance of the poverty line, it was possible to show that even a small tax could force some individuals to choose between voting and eating.

The SSA poverty guidelines are used operationally today in connection with school lunch and Food Stamp programs, and have been used to determine student assistance eligibility under the Higher Education Act of 1965. New York State announced it will use the poverty guidelines for its new Liberty Scholarship program to help students from poor and near-poor families finish high school and go on to college.

Poverty research continues, but many difficulties with the original measure remain unresolved. The existing data base (the CPS) still reports income before not after taxes. The working poor are thus at a disadvantage, compared with those supported by public program benefits that often are not subject to tax. The price adjuster does not necessarily apply to the poor. Moreover, no information is available on how families at different income levels adjust spending to accommodate changing prices, or how higher expenditures in one category—such as health care—affect other aspects of family living. Yesterday's luxuries quickly become tomorrow's necessities with no timetable or mechanism for updating the index to conform to more recent consumption patterns.

Poverty research spinoffs have

added to or improved what we know. Beginning in March 1966, questions on public transfer programs were added to the CPS questionnaire, making it possible to assess poverty status before and after program payments. Today, respondents identify separately even more types of income received, enabling more accurate reporting and sophisticated analysis.

A single hierarchical CPS tape now makes it possible to cross-classify characteristics of family members with those of the head of the family, a task difficult to accomplish before. Copies of the tape are available to researchers who no longer need to depend on Bureau of the Census computer facilities. And sample size has been increased to about 60,000 households, all of whom are asked to report on income receipt and work experience in the preceding calendar year.

A major omission in the poverty matrix is the failure to differentiate between a social minimum appropriate for a worker and the more stringent standard appropriate for a family dependent on public support. In a society prizing work as the key to economic security there must be a positive difference between the level of living a worker can provide for himself and his family and what an enlightened society assures for the nonworker and his dependents. The two SSA index levels—poor and near-poor—could be a starting point for this differential. But how suitably to reward a worker and thereby his children for his effort, skill, or sheer luck and at the same time ensure the children of a nonworker of their rightful opportunity is a key question for the future.

The longevity of the poverty measure is at the same time gratifying and distressing: gratifying to see what has been accomplished, as for example minority students' raised scores on standardized college admissions tests that are partly attributable to two decades of the Head Start program; distressing because some problems seem to grow worse rather than better. The fact that mothers raising children alone are particularly vulnerable to poverty was well-known before the War on Poverty and continues even more so. The recently issued 1987 report on poverty counts 1 out of 2 mother-child units as poor, compared with 2 out of 3 in 1963. But the risk of poverty for children with an absentee father is now 5 times as great as when he's present; in 1963, it was 4 times as great. Currently, 1 in 5 children is growing up in a fatherless home, compared with 1 in 10 in the earlier year, exposing more of them to the deprivation that implies. Indeed, more than half the children now on the poverty roster are in a family headed by a woman, as opposed to fewer than a third of children counted poor in 1963. To the extent that such children are less likely to get educational skills and their mothers are not working and thus not earning Social Security credits, we are already racking up the elderly poor and public assistance rolls of the future.

Early in the War on Poverty, Michael Harrington—whose powerful indictment **The Other America** is credited with sparking interest in poverty amid plenty—commented that the poverty measure itself might not be all it could or should be but that henceforth no politician could offer any proposal without specifying how it would impact on the poor. In a similar vein, Robert Lampman, who perhaps more than any other individual is responsible for transforming the idea of a war on poverty into a basis for action, said that the particular poverty income line selected was less important than the fact that there was one, so that experiment might proceed and predictive control develop.

Forty years ago, when the Director of Research and Statistics in SSA introduced a new Budget for the Elderly he wrote, "One of the problems ... in evaluating the social security program is the present lack of any agreed standard as to what constitutes a reasonable minimum of living ... and what it costs families of differing size and composition to live at such a level. With due recognition of the many other factors which may determine the size of insurance benefits or assistance payments, we can not neglect the basic question of what a family needs to live healthfully and with self-respect in an American community."

Today, Social Security affects virtually the entire U.S. population: elderly persons depending at least in part on their retired-worker benefits; young adults assured of some protection for themselves, their spouses and children, and relieved of sole responsibility for supporting aging parents; and children who need replacement of a parent's earnings lost through death or disability.

Social Security helps more individuals over the poverty threshold than any other single program. It is gratifying to realize that SSA has continued true to its own legacy in helping determine just where that poverty threshold should be.