

CEO Poverty Measure 2005-2014

An Annual Report from
the Office of the Mayor

Executive Summary



Mayor's Office of Operations
The City of New York
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NYC[®]

Preface

This is the seventh release of the Center for Economic Opportunity's alternative poverty measure for New York City. The CEO measure, in comparison to the official U.S. measure of poverty, includes a poverty threshold that reflects the higher cost of housing in New York City. We also recognize the importance of non-cash benefits that are intended to alleviate poverty. The value of these programs, such as the Supplemental Nutrition Assistance Program (SNAP) and tax credits, are added to family incomes.

The poverty measure has become an important resource for how we think about poverty in New York City. We have gained a better estimate of the rate of poverty – what portion of the city is poor; what portion is near poor and thus living too close to the poverty threshold. We understand better the success of anti-poverty programs in lowering the poverty rate, and we have a better demographic and geographic profile of New Yorkers in poverty.

The data presented in this report covers the years 2005 to 2014. Our focus is on the most recent five years of these data, 2010 to 2014. Those years represent the slow recovery from the Great Recession. As of 2014, the recovery had not had sufficient strength to lower the rate of poverty. The poverty rate for 2014, 20.7 percent, and the near-poverty rate of 45.2 percent are statistically unchanged from 2013.

Data presented in this report shed light on reasons for this stagnation in the poverty rate: the poverty threshold continues to rise, driven, in part, by increases in housing costs in the city. On a positive note, employment and work hours have increased, but conversely, wages remain unchanged and most of the wages lost in the recession have yet to be recovered.

The year 2014 also marks the end of federal fiscal stimulus programs that are included in CEO's income measure. Direct tax cuts, some expanded tax credits, increased SNAP benefits, and increased unemployment insurance were gradually phased out over this period.

CEO's poverty measure gives us a greater understanding of the importance of better wages, affordable housing, and better employment opportunities. We draw on this knowledge in framing our poverty reduction programs, including the City's goal of reducing the number of New Yorkers in poverty or near poverty by 800,000 over the next decade.

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Executive Summary

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This annual report examines the state of poverty in New York City. In doing so, it offers policymakers and the public a more informative alternative to the official U.S. poverty measure – one adapted to the realities of life in New York, including our unusually high housing costs. The report also presents current anti-poverty initiatives informed by the data presented here, which spans from 2005 to 2014, the most recent years for which data are available.

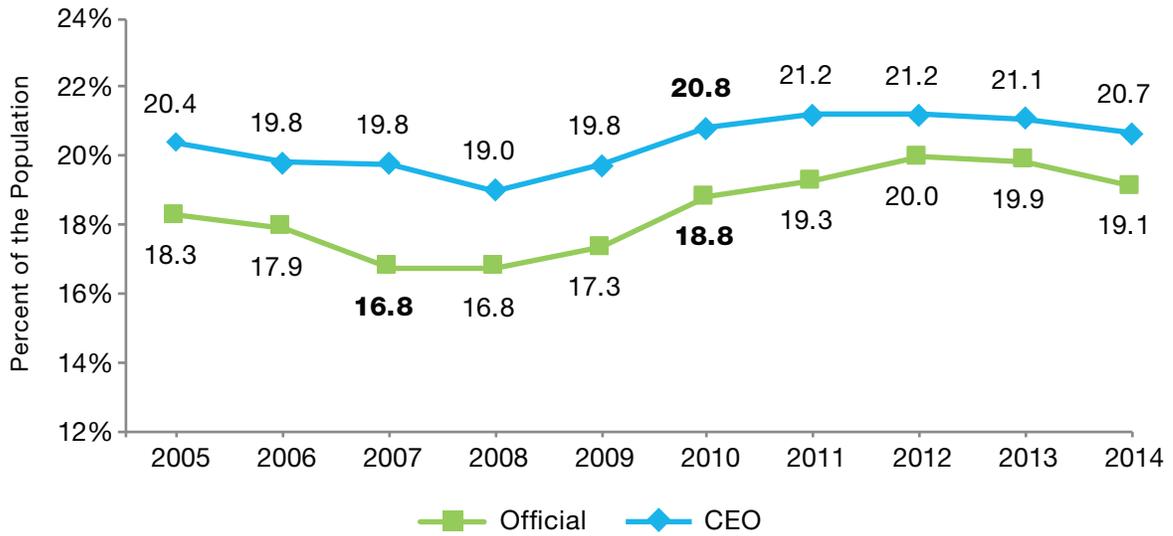
The Center for Economic Opportunity (CEO) poverty rate for 2014 is 20.7 percent. This is statistically unchanged from the 2013 rate of 21.1 percent and represents the fourth consecutive year with no significant change in the poverty rate. In 2014, 45.2 percent of the New York City population was living below 150 percent of the CEO poverty line, meaning they were in poverty or near poverty. This statistic is also unchanged from 2013.¹ The poverty threshold for a two-adult, two-child family increased to \$31,581 in 2014 from \$31,156 in 2013.

Changes in the CEO poverty rate continue to match trends in employment and earned income in the City, including tracking the damage of the Great Recession and the ensuing slow recovery. From 2005 to 2008 the local economy expanded and the poverty rate fell from 20.4 percent to 19.0 percent. But by 2011 the trend had reversed and the poverty rate rose to 21.2 percent. It has remained within a statistically similar range ever since. In 2014 there are signs of an improving employment situation. The employment population ratio is comparable to 2007 levels and there are indications of an increase in full-time work.

Figure 1 illustrates the trend in the CEO poverty rate. It is paralleled by the movement in the official poverty rate. This apparent similarity, however, masks important differences between the two measures. The official U.S. poverty threshold was set over fifty years ago at three times the cost of an economy food plan. This no longer represents a reasonable standard of living and is the same regardless of geography and differences in local costs of living. On the resources

¹ This is a revision from last year's estimate of 21.5 percent in poverty. The revision consists primarily of incorporating updated data on medical spending and WIC Benefits. Details can be found in Appendix J.

Figure 1
Official and CEO Poverty Rates, 2005–2014



Numbers in **bold** indicate statistically significant data from prior year. Absence of bold numbers indicates no statistical difference from prior year.
 Source: American Community Survey Public Use Micro Sample as augmented by CEO.
 Note: Official poverty rates are based on the CEO poverty universe and unit of analysis.

side, only a family’s pre-tax cash income is counted as income available to meet the threshold. This outdated measure of resources does not include most of the current anti-poverty measures that are not in the form of cash, such as the Earned Income Tax Credit or housing subsidies.

The CEO measure includes many of these additions to household resources on the income side, generating a higher estimate of income. But the CEO poverty threshold is adjusted to include the relatively higher cost of housing in New York City. The result, compared to the official poverty measure, is a greater measure of income that is surpassed by an even greater threshold to cover basic needs and, ultimately, a higher poverty rate. The section below, “Why an Alternative Poverty Measure for New York City,” details the differences between the two rates and further explains the CEO methodology.

The first part of this Executive Summary provides context for this report: the economics and public policy influencing recent trends in the poverty rate followed by our key findings. We then summarize the current policy framework and initiatives for addressing poverty as defined in this report. In the final section we provide a history of U.S. poverty measures and the importance of an alternative measure for New York City.

This Report

This report incorporates data through 2014. Our focus is primarily on the years 2010 to 2014, which represents five years of data since the end of the Great Recession in June 2009.

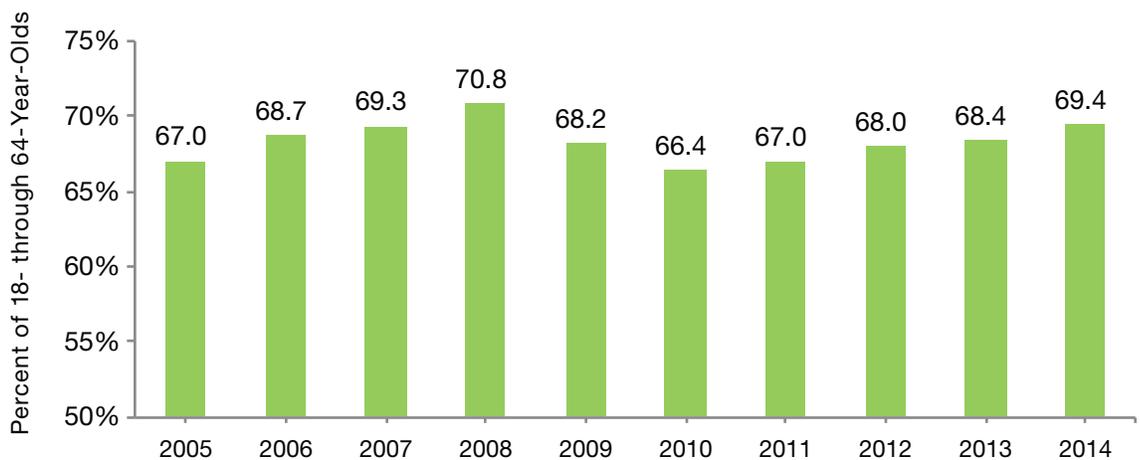
As Figure 2 illustrates, the share of New Yorkers 18 through 64 years of age who were holding a job at the time they were surveyed peaked in 2008 at 70.8 percent. That proportion declined to 66.4 percent in 2010. By 2014, it had inched back up to 69.4 percent. The trend is positive, and approaching the pre-recession peak.

Because poverty status is determined by annual income, employment over the course of a year is a particularly useful labor market indicator for understanding trends in the poverty rate. Employment conditions show improvement over prior years. Figure 3 shows that the share of the working age population with steady work, defined as 50 or more weeks in the prior 12 months, was 56.3 percent in 2010 and had increased to 58.6 percent in 2014. The proportion of the population that had no work at all fell from 27.3 percent in 2010 to 25.3 percent in 2014.

Annual earnings reflect the trend seen in the employment data. Table 1 reports cost of living (COL) adjusted per family earnings. We focus on those families whose earnings put them near the CEO poverty threshold (between the 25th and 40th percentile of the earnings distribution).² Table 1 shows that the decline in earnings due to the recession has steadily and slowly reversed. The 2014 data indicate an improvement from the prior year, with gains greatest at the low end

² Earnings data are stated in 2014 dollars using the CEO threshold as a price index.

Figure 2
Employment/Population Ratios, 2005–2014



Source: American Community Survey Public Use Micro Sample as augmented by CEO.

Figure 3
Weeks Worked in Prior 12 Months, 2010–2014



Source: American Community Survey Public Use Micro Sample as augmented by CEO.

of the income groups shown. But the combined gains from 2010 to 2014 fall short of the earnings lost in the recession. The average increase in the column labeled “A” of Table 1 was 4.1 percentage points. From 2008 to 2011 (data not shown), the average loss for earners in these same percentiles was 19.4 percentage points.³

The job market, we have seen, plays an important role in year-over-year changes in the CEO poverty rate. But its effect takes place within the broader scope of our

³ Data for 2008–2011 is discussed further in Chapter 1. See Table 1.

Table 1
Annual Family-Level Earned Income, 2010–2014

Percentile	2010	2011	2012	2013	2014	Percentage Change	
						(A)	(B)
25	\$16,941	\$16,359	\$16,633	\$17,362	\$18,139	7.1%	4.5%
30	\$22,845	\$22,422	\$22,778	\$23,380	\$23,751	4.0%	1.6%
35	\$29,231	\$28,251	\$28,978	\$29,617	\$30,253	3.5%	2.1%
40	\$35,645	\$33,985	\$34,603	\$35,745	\$36,278	1.8%	1.5%
Average Gain						4.1%	2.4%

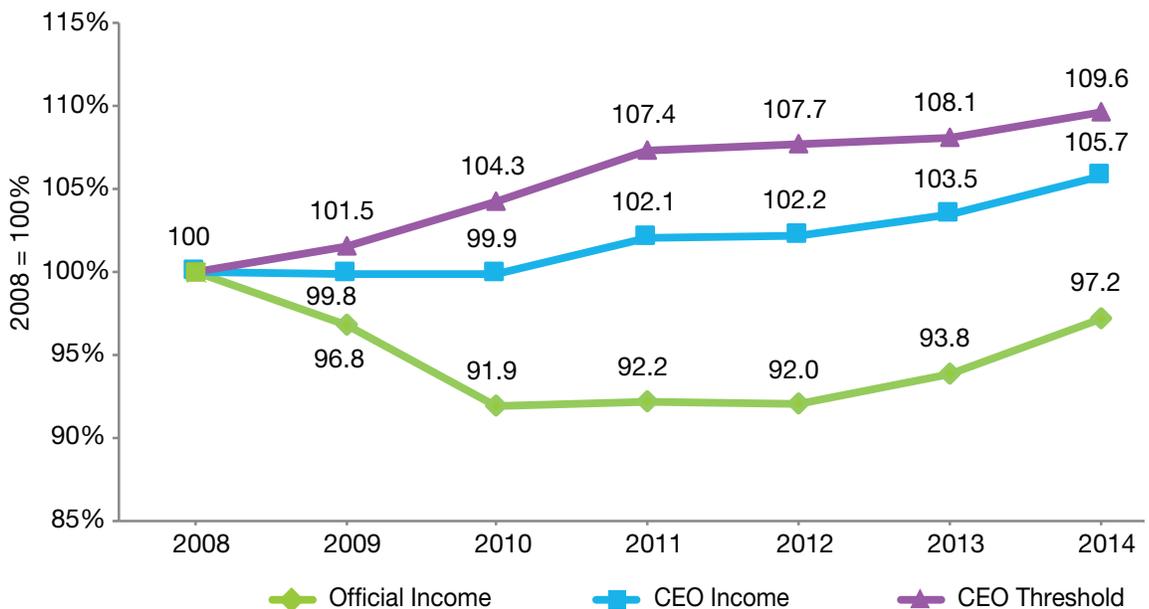
Source: American Community Survey Public Use Micro Sample as augmented by CEO.
 Notes: Earnings are stated in family size and composition-adjusted dollars. They are stated in 2014 dollars using the CEO threshold as a price index. Persons in families with no earnings are included.

measure of family resources and the context of public policies intended to bolster family incomes. In addition to earnings, low-income families' ability to meet their needs is determined by public benefit programs. Over the last several decades there has been an important shift in the composition of these programs, especially for the non-elderly population, as a smaller proportion of means-tested assistance takes the form of cash payments such as public assistance, while a larger proportion is composed of tax credits and in-kind benefits. The federal economic stimulus programs of 2008–2012 reinforced the trend. Tax credits, an increase in SNAP (Supplemental Nutritional Assistance Program, formerly known as Food Stamps) benefits, and payroll tax cuts were important policy elements.

Because the CEO poverty measure accounts for all these resources, we find that CEO income was markedly more stable during the recession than the official resource, which is solely composed of pre-tax cash. As Figure 4 illustrates, official (pre-tax cash) income fell to 91.9 percent of its 2008 value by 2010. Although it increased over the post-recession years, by 2014 income under the official measure was only at 97.2 percent of its 2008 value. CEO income, which includes non-cash benefits, retained 99.9 percent of its 2008 value in 2010 and increased to 105.7 percent of its 2008 value by 2014. The CEO threshold, bolstered by high local area housing costs, increased to 109.6 percent of its 2008 value by 2014, growing faster than CEO income.⁴

⁴ The role of housing costs in the threshold is explained further in the section below on CEO's adoption of the NAS-SPM method.

Figure 4
Comparison of Income Trends with the CEO Poverty Threshold, 2008–2014



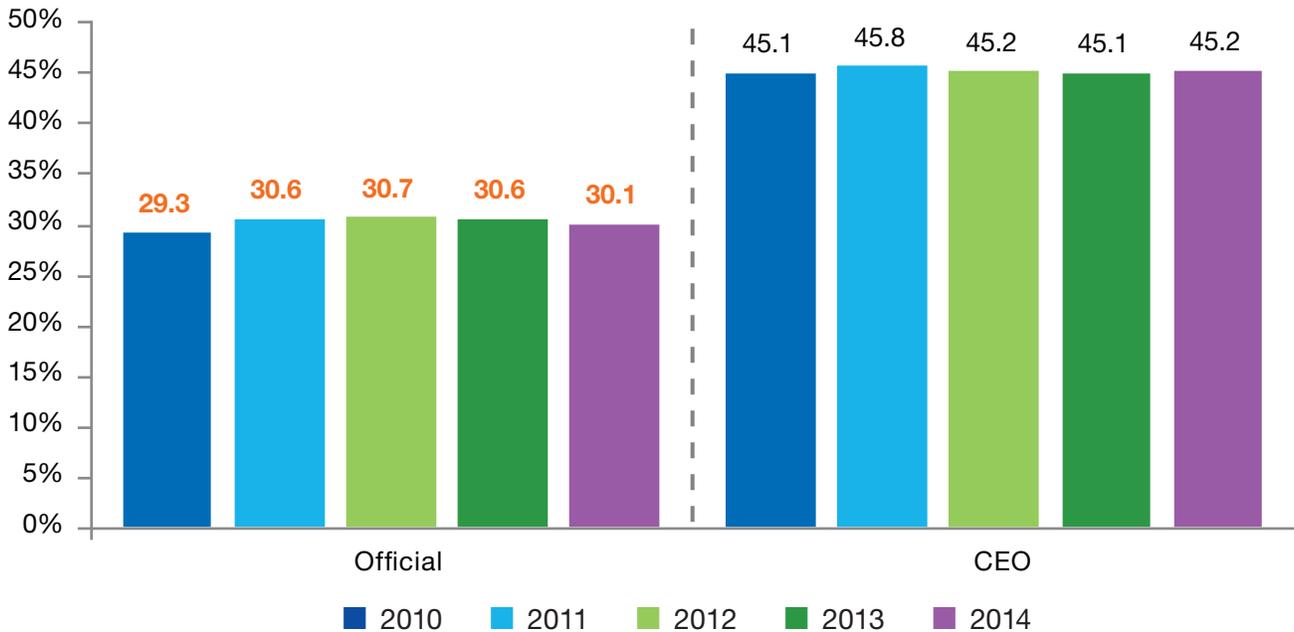
Source: American Community Survey Public Use Micro Sample as augmented by CEO.
 Notes: Incomes are measured at the 20th percentile of their respective distributions. All three measures are stated in current, not inflation-adjusted dollars.

Key Findings

In the context of a labor market that is still slowly recovering from a sharp two-year slump, we find little change in the citywide poverty rate and a fairly consistent pattern in trends over time. The key findings noted below describe where those trends continue, and where new patterns emerge in the 2014 data.

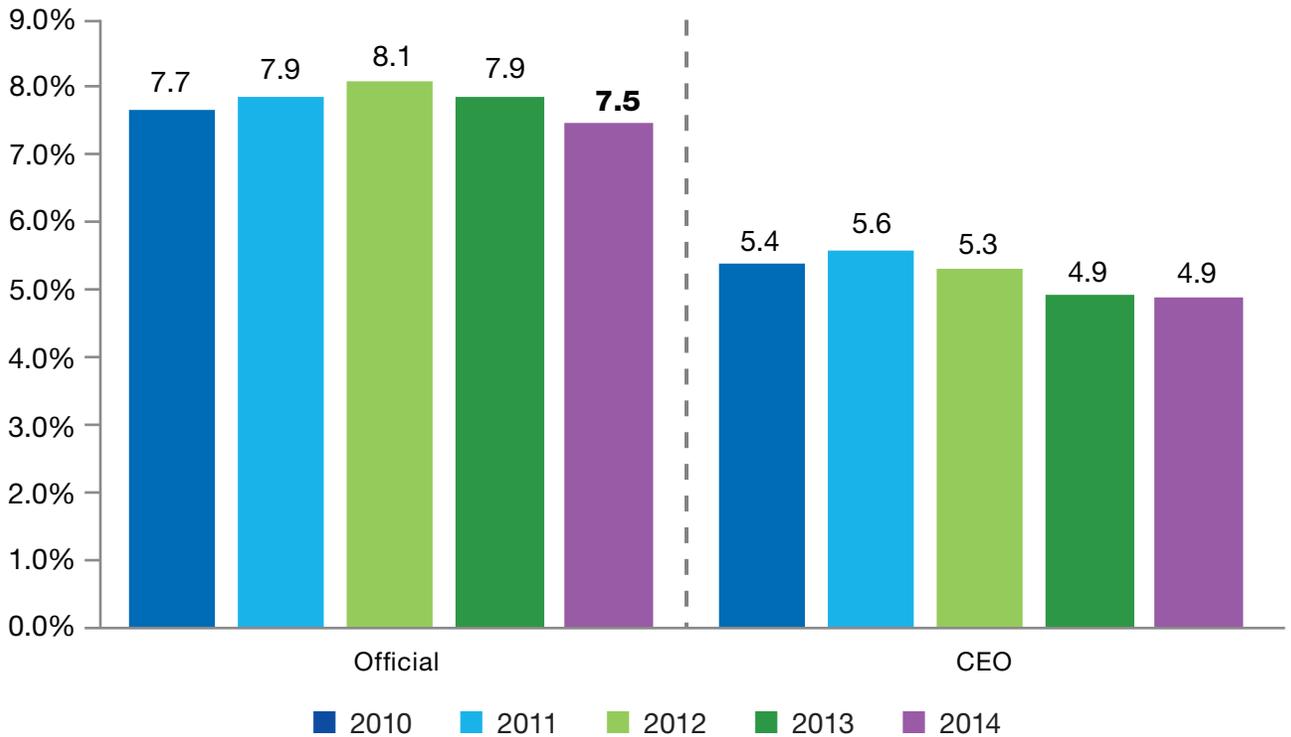
- Both the CEO and official poverty rates remain statistically unchanged from 2013 to 2014. The CEO poverty rate fell to 20.7 percent in 2014, essentially unchanged from its 2013 level. The official poverty rate fell from 19.9 percent in 2013 to 19.1 percent in 2014. (See Figure 1.)
- The CEO measure categorizes a larger share of the population as living in “near poverty” – above, but uncomfortably close to, the poverty threshold – than the official measure. This is reflected in comparisons of the share of the population that is living below 150 percent of the respective poverty thresholds. In 2014, 45.2 percent of New York City residents were living below 150 percent of the CEO poverty threshold, statistically unchanged over five years from 45.1 percent in 2010. The corresponding shares for the official measure were 29.3 percent in 2010 and 30.1 percent in 2014. (See Figure 5.)

Figure 5
Share of the Population below 150 Percent of the Poverty Threshold, 2010–2014



Numbers in **bold** indicate statistically significant change between 2013 and 2014. Numbers in **orange** indicate statistically significant change between the years 2010 and 2014. Source: American Community Survey Public Use Micro Sample as augmented by CEO.

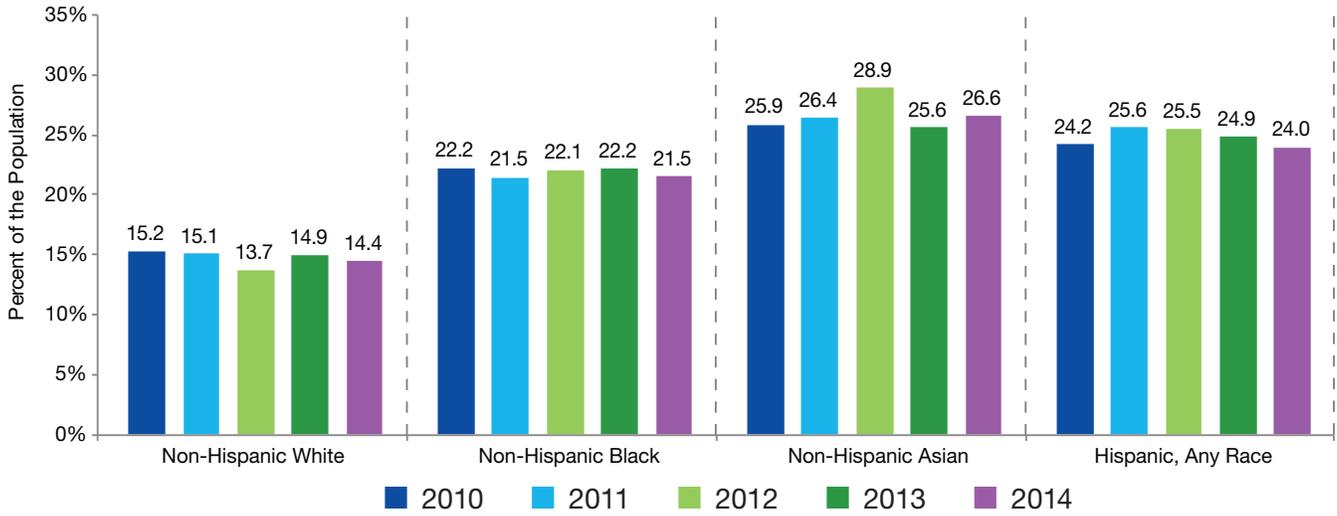
Figure 6
Share of the Population in Extreme Poverty, 2010–2014



Numbers in **bold** indicate statistically significant change between 2013 and 2014. Numbers in **orange** indicate statistically significant change between the years 2010 and 2014. Source: American Community Survey Public Use Micro Sample as augmented by CEO.

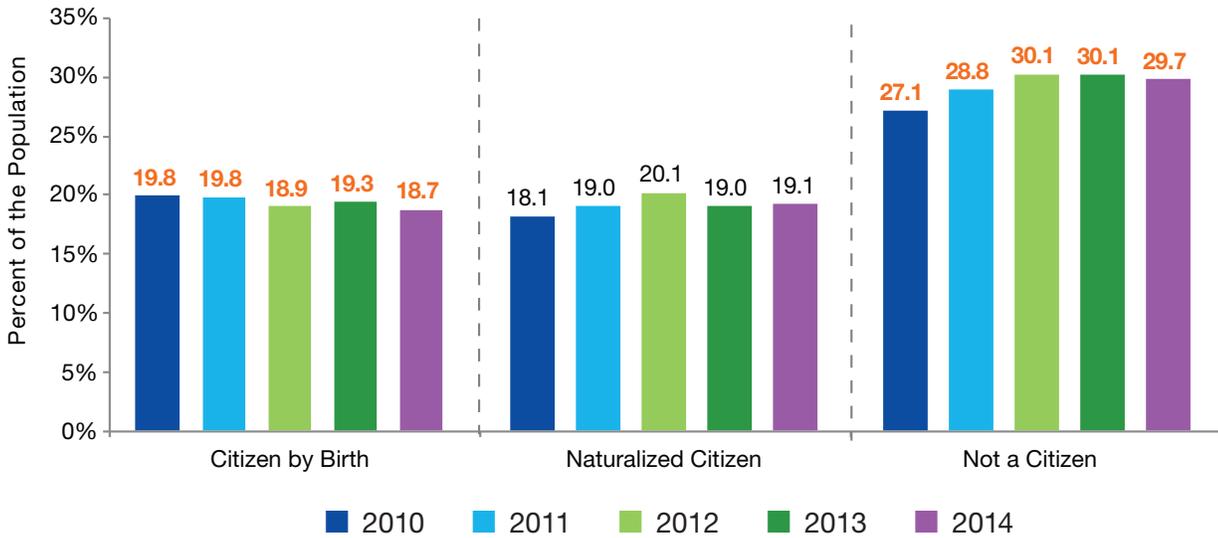
- Although the CEO poverty and near poverty rates exceed the official rate in each year for which we have data, the CEO methodology finds that a smaller proportion of the city’s population is living in extreme poverty – below 50 percent of the poverty threshold – than the official method (4.9 percent compared to 7.5 percent in 2014). The CEO extreme poverty rate fell from 5.4 percent in 2010 to 4.9 percent in 2014. The official extreme poverty rate fell from 7.7 percent in 2010 to 7.5 percent in 2014. (See Figure 6.)
- The trend in CEO poverty rates by demographic characteristics such as age, race/ethnicity, nativity/citizenship, and family type generally follows the statistical stability of the citywide poverty rate from 2010 to 2014, with a few exceptions. Looking over the years 2010 to 2014, there are no significant changes in the poverty rate across the main demographic groupings. Poverty rates remain highest among Hispanics and Non-Hispanic Asians. The poverty rate for non-citizens continued to increase over this same time period, by 2.6 percentage points to 29.7 percent. (See Figures 7 and 8.) There is considerable overlap between these two demographic groups; one-third (33.1 percent) of the city’s Asian population falls into the non-citizen category, as does 23.5 percent of the city’s Hispanic population.

Figure 7
CEO Poverty Rates by Race/Ethnicity, 2010–2014



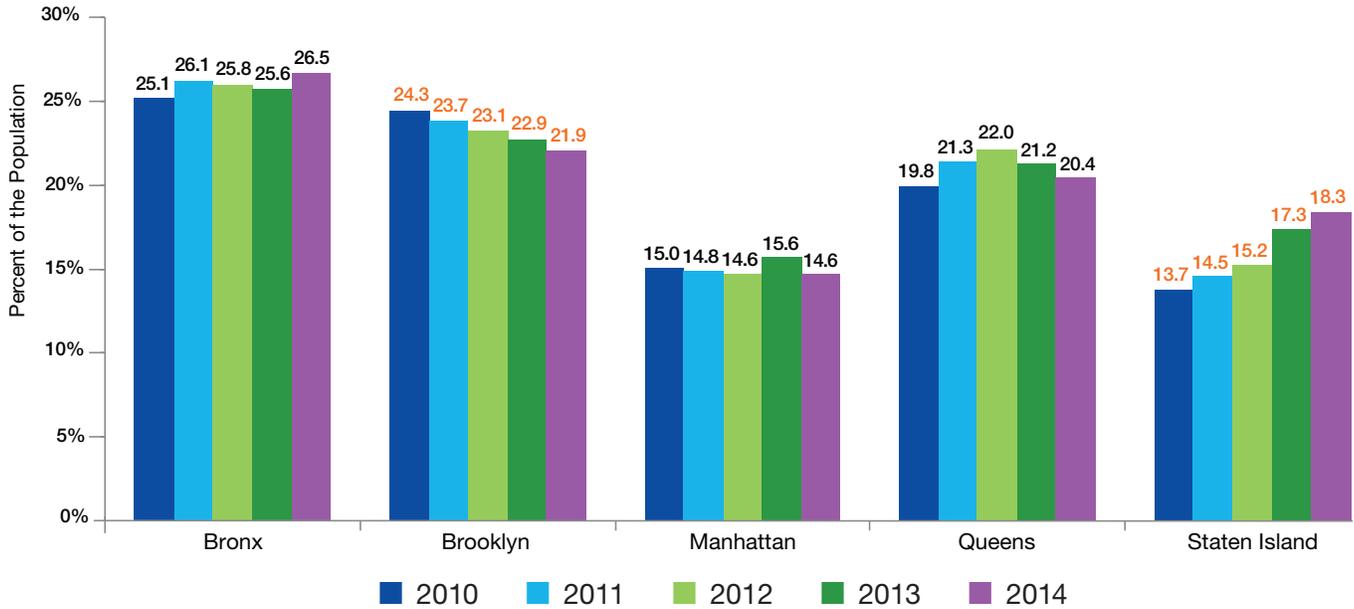
Source: American Community Survey Public Use Micro Sample as augmented by CEO.

Figure 8
CEO Poverty Rates by Nativity/Citizenship, 2010–2014



Numbers in **bold** indicate statistically significant change between 2013 and 2014. Numbers in **orange** indicate statistically significant change between the years 2010 and 2014. Source: American Community Survey Public Use Micro Sample as augmented by CEO.

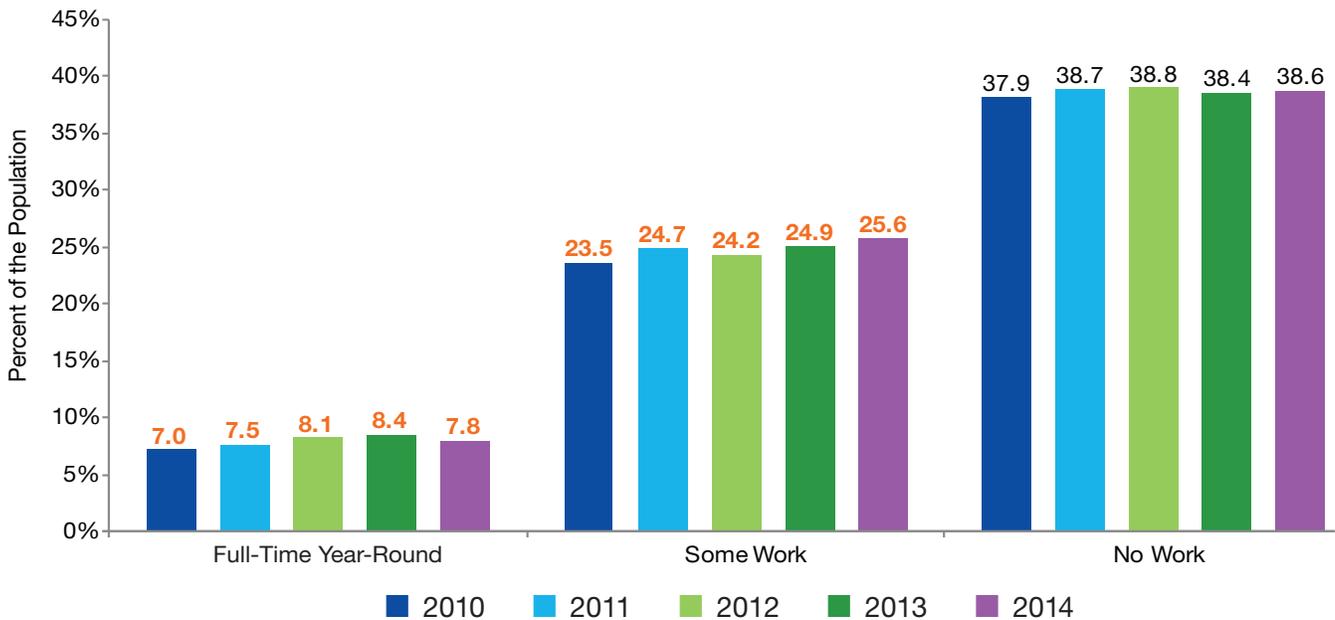
Figure 9
CEO Poverty Rates by Borough, 2010–2014



Numbers in orange indicate statistically significant change between the years 2010 and 2014.
 Source: American Community Survey Public Use Micro Sample as augmented by CEO.

- The poverty rate across boroughs remains uneven. Within boroughs, both Brooklyn and Staten Island show a significant change over 2010–2014. The Bronx is home to more individuals in poverty than any other borough (26.5 percent in 2014). Poverty is lowest in Manhattan (14.6 percent in 2014). The steepest decline in the poverty rate from 2010 to 2014 is found in Brooklyn, where poverty fell from 24.3 percent to 21.9 percent, a significant decline. In Queens, the poverty rate has remained statistically unchanged from 2010 to 2014 (19.8 percent to 20.4 percent). In Staten Island, year-over-year changes in the poverty rate are not significant, but the trend over 2010–2014 is a statistically significant increase of 4.6 percentage points in this time period (13.7 to 18.3 percent). (See Figure 9.)
- Poverty has not abated for workers and working families. The poverty rate for working age adults (persons 18 through 64 years of age) who were employed full time, year round rose from 7.0 to 7.8 percent from 2010 to 2014. Poverty rates also increased among adults working less than full time, from 23.5 percent in 2010 to 25.6 percent in 2014. (See Figure 10.)
- Over the same time period, poverty rates remained statistically unchanged for persons living in families with the equivalent of two full-time, year-round workers; one full-time worker; and those with less than one full-time worker. The only statistically significant difference from 2013 to 2014 is found in

Figure 10
CEO Poverty Rates by Individual Work Experience, 2010–2014

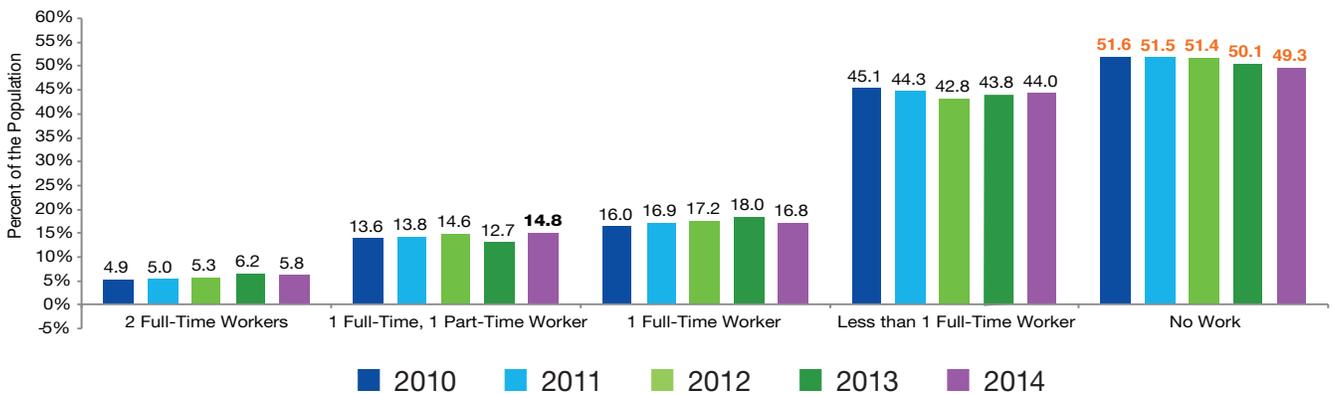


Numbers in **bold** indicate statistically significant change between 2013 and 2014. Numbers in **orange** indicate statistically significant change between the years 2010 and 2014.
 Source: American Community Survey Public Use Micro Sample as augmented by CEO.

families with the equivalent of one full-time, year-round worker and one part-time worker, where poverty increased from 13.6 percent to 14.8 percent. (See Figure 11.)

- The pattern in poverty rates for the United States, based on the new Federal Supplemental Poverty Measure, resembles the CEO pattern for New York City. In

Figure 11
CEO Poverty Rates by Family's Work Experience, 2010–2014



Numbers in **bold** indicate statistically significant change between 2013 and 2014. Numbers in **orange** indicate statistically significant change between the years 2010 and 2014.
 Source: American Community Survey Public Use Micro Sample as augmented by CEO.

both the nation and the city, the two NAS-based poverty measures find a higher incidence of poverty than do the official measures. In the U.S., the SPM rate in 2014 was 15.3 percent as opposed to the official rate of 14.9 percent. In New York City, the respective poverty rates were 20.7 percent (CEO) and 19.1 percent (official) in that year. (See Figures 12 and 13.)

- Because the SPM and CEO measures count the value of non-cash assistance, both find child poverty rates lower than those found in the official measure: 16.7 percent compared to 21.5 percent for the nation and 24.0 percent rather than 28.5 percent for the city. (See Figures 12 and 13.)

Figure 12
Official and SPM Poverty Rates for the U.S., by Age, 2014

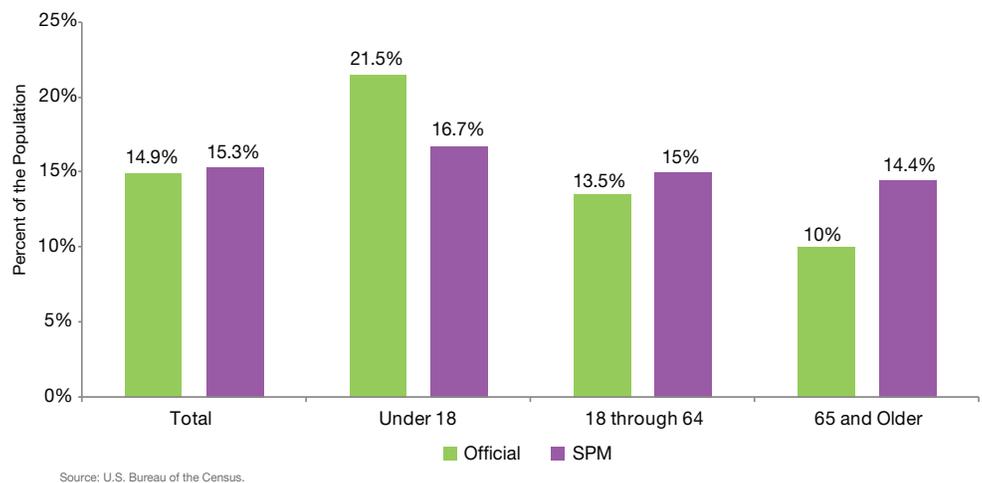
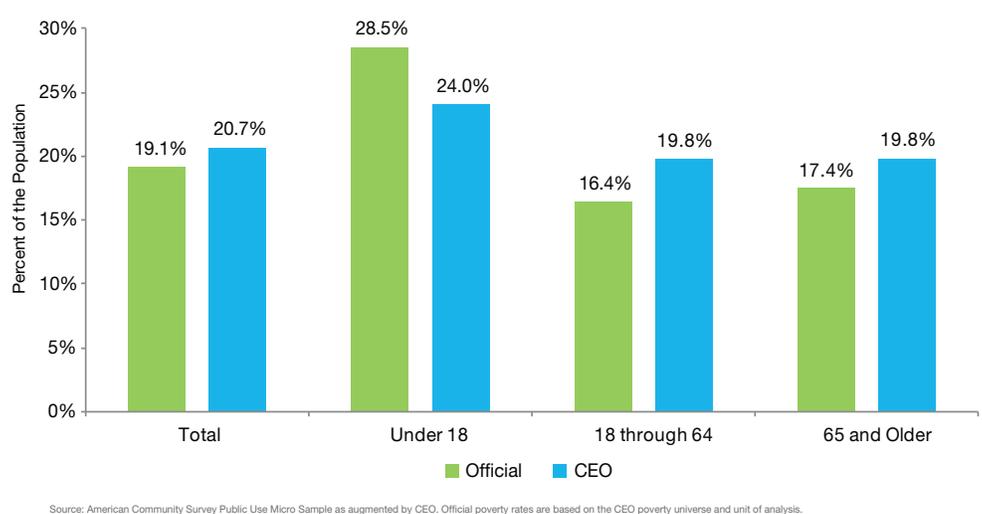


Figure 13
Official and CEO Poverty Rates for New York City, by Age, 2014



Policy and New York City's Poverty Reduction Goal

Last spring, in *One New York: The Plan for a Strong and Just City* (OneNYC), the City for the first time set out a definite poverty reduction goal. In that blueprint for New York City's future, and in the annual Poverty Report issued concurrently, the City announced a goal of reducing the number of people in poverty or near poverty by 800,000 by 2025. OneNYC declared that this benchmark could be met “through a broad set of anti-poverty measures including raising the minimum wage – a particularly effective tool for reducing poverty and income inequality.”

The need for strong action to reduce poverty in New York City is clear, as the findings of this year's CEO report illustrates. In 2014, the CEO poverty rate was 20.7 percent and 45.2 percent of New Yorkers were living in near poverty – below 150 percent of the CEO poverty line. These rates are statistically unchanged from 2013. Poverty is particularly concentrated in certain segments of the city, including among non-citizens and Black and Hispanic New Yorkers.

Efforts to reduce poverty must overcome formidable trends. The cost of living, and thus the poverty threshold, continues to rise, driven in part by increases in housing costs in the city. Employment and work hours have increased over the last five years but wages remain far below pre-recession levels. Important programs that were part of the federal fiscal stimulus program, including direct tax cuts, some expanded tax credits, increased SNAP benefits, and increased unemployment insurance, have all ended. As New Yorkers returned to work in the post-recession years their increased earnings were partially offset by this loss of benefits as well as higher housing costs, which have risen steadily and continue to rise. So although more people were employed when the recession ended, they had to earn more to avoid poverty or near poverty.

The single most powerful tool to address these challenges is raising the minimum wage. In his 2015 State of the City address, Mayor de Blasio urged the state to increase the minimum wage, declaring that, “nothing does more to address income equality than actually raising people's income.”

There has been considerable progress on the minimum wage front. The City on its own initiative put all of its employees, as well as employees of its social services

contractors, on a path to earning \$15 by 2018. The state minimum wage was already rising, for both regular and tipped workers, and in the past year there have been more victories. Most significantly, a state law enacted in April 2016 established a new minimum wage regime that will incrementally increase the minimum wage for people who work for large businesses (those with at least 11 employees) to \$15 by the end of 2018. Workers at smaller businesses will reach \$15 a year later.

These minimum wage increases have already begun to lift a significant number of New Yorkers out of poverty or near poverty. A simulation conducted by the Center for Economic Opportunity based on 2013 data found that had the minimum wage been \$15 in that year, 314,000 New Yorkers would have moved out of poverty and another 438,000 out of near poverty – for a total of more than 750,000 people. The poverty rate for New York City would have fallen from 21.1 percent to 17.3 percent, and the rate of people living in near poverty would have fallen from 45.1 percent to 39.6 percent.

As important as they are, increases in the minimum wage are only one step toward reducing poverty rates in New York City. The City also has a wide array of other initiatives to combat poverty and expand opportunity for all New Yorkers. In its anti-poverty work, the de Blasio Administration is committed to using proven methods that have three critical attributes: (1) they are evidence-based; (2) they are data-driven; and (3) they are cost-effective. An array of City programs in early childhood, child welfare, education, workforce, and other fields have the potential to reduce poverty and ameliorate its effects. In Chapter Five of this report we reproduce performance data for many of these programs, and also highlight a few key initiatives that have seen significant progress over the last year.

One of the main policy areas with significant implications for poverty is housing – the single largest expense for New Yorkers, and a particular challenge because of the city’s very low rental vacancy rate. In May 2014, Mayor de Blasio announced Housing New York, a ten-year plan to build or preserve 200,000 units of affordable housing that would leverage \$41.1 billion in government and private sector funds. In January 2016, the City announced that it was on track to meet this goal, with 40,204 units of affordable housing built or preserved in the program’s first two years.

The City took an historic step forward on affordable housing this past year when in March 2016 the City Council enacted new zoning regulations to establish the de Blasio Administration’s Mandatory Inclusionary Housing program. The program will create a new supply of affordable housing by, for the first time, requiring developments that are rezoned for greater residential density to include units that are affordable to low- and moderate-income New Yorkers. The City has also been working to keep the rents of current tenants in check. Last year, for the first time, the Rent Guidelines Board voted to freeze rents for tenants in the city’s more than one million rent-stabilized apartments.

The City has also launched new programs and expanded existing initiatives aimed at helping the homeless. In December 2015, Mayor de Blasio announced a major new initiative, Homeless Outreach & Mobile Engagement Street Action Teams (HOME-STAT), the most comprehensive street homelessness outreach effort ever taken on by a major American city. The City has increased by 500 the number of Safe Haven beds available for individuals coming off the streets who do not want to enter shelters, for a total of 1,174 beds. The Homebase program is preventing homelessness by providing tenants who are in danger of losing their homes with services such as eviction prevention and landlord mediation. The Tenant Harassment Prevention Task Force provides help to tenants who are being pressured by landlords to leave, including free or low-cost legal assistance. These initiatives and other reforms announced in connection with the City's review and reorganization of the Department of Homeless Services focus on addressing one of the starkest and most visible manifestations of economic hardship in the city.

Another important focus of the City's anti-poverty efforts is employment. The City has put an emphasis on workforce development initiatives designed to help people without jobs to get jobs and people in the workforce to increase their earnings. Mayor de Blasio launched Career Pathways: One City, Working Together, a new workforce development initiative, to expand access to jobs in fast-growing, well-paying industries and increase New Yorkers' earnings.

The City has also been investing in educational initiatives that help prepare New Yorkers for college success and higher-paying careers. In its education effort, the de Blasio Administration has put particular emphasis on supporting those who enroll in City University of New York (CUNY), the school attended by 58 percent of Department of Education (DOE) graduates who go on to college. The City has an array of programs designed to help students make the transition, including general programs like College Access for All, designed to promote college attendance among high school students. CUNY Pipeline is one of the more specialized programs, helping CUNY undergraduates from underrepresented groups obtain PhDs.

College Now, the nation's largest dual enrollment program, offers college credit CUNY courses to DOE high school students. The Early College Initiative (ECI) helps 14 public schools provide students with a rigorous college preparatory curriculum and the opportunity to earn as much as two years of college credit. Enrollment in ECI has increased by about 20 percent in the past two years.

The CUNY Accelerated Study in Associate Program (ASAP) has a strong record of helping students succeed at CUNY by providing financial, academic, and other support. ASAP students, including those who enter college in need of remediation, have twice the three-year graduation rate of their peers. The City has greatly expanded resources available to the program and total enrollment in ASAP, which was 4,238 in academic year 2014-2015, is expected to reach 25,190 in the 2018-2019 academic year.

CUNY is partnering with the Young Men’s Initiative on programs to increase enrollment of young men of color and minority adults in ASAP through social media marketing campaigns and other forms of outreach. Another program, NYC Men Teach, has the goal of putting an additional 1,000 men of color on course to become New York City schoolteachers over the next three years. The City also offers cutting-edge behavioral intervention programs to help young people succeed in college, including a program designed to improve scores on CUNY Assessment tests and reduce the need for remediation. Along with increased training opportunities, these initiatives help break down barriers and prepare more New Yorkers for success.

The City is also continuing its success with IDNYC, the nation’s largest municipal ID program that makes government identification available to New Yorkers, including many immigrants who previously had no form of ID. IDNYC makes the city more inclusive by opening up public and private sector services of many kinds to New Yorkers who were once relegated to the sidelines of city life.

Finally, over the last year, the City marked important progress in greatly expanding access to free and low-cost broadband, which will help low-income New Yorkers benefit from the enormous economic, employment, and other opportunities the Internet offers. Last year, for the first time, the Mayor created a budget line for broadband in the City’s capital budget, committing \$70 million over ten years to expand access, with a focus on increasing access for hard-to-reach communities. The City recently launched LinkNYC, the largest free Wi-Fi network in the world, which will replace more than 7,500 pay phones in all five boroughs with structures that provide free superfast Wi-Fi. The City is also launching NYCHA Connected, which brings free broadband to residents of public housing developments in all five boroughs.

New York City has taken an important stand by identifying a specific, and ambitious, goal for its poverty efforts – lifting 800,000 individuals out of poverty or near poverty. With the City’s historic progress on minimum wage and affordable housing and its continued commitment to strengthening the policies and programs that address economic burdens and broaden opportunity, the past year may well prove to be a significant turning point in the fight against poverty.

Why an Alternative Poverty Measure for New York City?

Measures of Poverty

Official: The current official poverty measure was developed in the early 1960s. It consists of a set of thresholds that were based on the cost of a minimum diet at that time. A family's pre-tax cash income is compared against the threshold to determine whether its members are poor.

NAS: At the request of Congress, the National Academy of Sciences (NAS) issued a set of recommendations for an improved poverty measure in 1995. The NAS threshold represents the need for clothing, shelter, and utilities, as well as food. The NAS income measure accounts for taxation and the value of in-kind benefits.

SPM: In March 2010 the Obama Administration announced that the Census Bureau, in cooperation with the Bureau of Labor Statistics, would create a Supplemental Poverty Measure based on the NAS recommendations, subsequent research, and a set of guidelines proposed by an Interagency Working Group. The first report on poverty using this measure was issued by the Census Bureau in November 2011.

CEO: The Center for Economic Opportunity released its first report on poverty in New York City in August 2008. CEO's poverty measure is largely based on the NAS recommendations, with modifications based on the guidelines from the Interagency Working Group.

The Official Poverty Measure

The official U.S. poverty measure was developed in the early 1960s. Its threshold was based on the cost of the U.S. Department of Agriculture’s Economy Food Plan, a diet designed for “temporary or emergency use when funds are low.” Because survey data at the time indicated that families typically spent a third of their income on food, the cost of the plan was simply multiplied by three to account for other needs. Since the threshold’s base year, 1963, it has been updated annually by the change in the Consumer Price Index.⁵

It is now over a half century later and this poverty line has little justification. The threshold does not represent contemporary spending patterns; food now accounts for less than one-seventh of family expenditures, and housing is the largest item in the typical family’s budget. The official threshold also ignores differences in the cost of living across the nation, an issue of obvious importance to measuring poverty in New York City. A final shortcoming of the threshold is that it is frozen in time. Since it only rises with the cost of living, it assumes that a standard of living that defined poverty in the early 1960s remains appropriate, despite advances in the nation’s standard of living since that time.

The official measure’s definition of the resources that are compared against the threshold is pre-tax cash income. This includes wages, salaries, and earnings from self-employment; income from interest, dividends, and rents; and some of what families receive from public programs if they take the form of cash. Thus, payments from Unemployment Insurance, Social Security, Supplemental Security Income, and public assistance are included in the official resource measure.

Given the data available and the policies in place at the time, this was not an unreasonable definition. But over the decades an increasing share of what government programs do to support low-income families takes the form of tax credits (such as the Earned Income Tax Credit) and in-kind benefits (such as SNAP). If policymakers or the public want to know how these programs affect poverty, the official measure cannot provide an answer.

⁵ Fisher, Gordon M. “The Development and History of the Poverty Thresholds.” *Social Security Bulletin*, Vol. 55, No. 4, Winter 1992.

The National Academy of Sciences' Alternative

Dissatisfaction with the official measure prompted Congress to request a study by the National Academy of Sciences (NAS). The NAS' recommendations for an improved measure were issued in 1995.⁶ The NAS took a considerably different approach to both the threshold and resource side of the poverty measure. Its poverty threshold reflects the need for clothing, shelter, and utilities, as well as food. It is established by selecting a sub-group of families as reference families,⁷ calculating their spending on these items, and then choosing a point in the resulting expenditure distribution.⁸ A small multiplier is applied to account for miscellaneous expenses such as personal care, household supplies, and non-work-related transportation. The threshold is updated each year by the change in the level of this spending. This method connects the threshold to changes and growth in living standards. In further contrast to the official measure, the NAS proposed that the poverty line be adjusted to reflect geographic differences in housing costs.

On the resource side, the NAS measure is designed to account for the flow of income and in-kind benefits that a family can use to meet the needs represented in the threshold. This creates a much more inclusive measure of income than pre-tax cash. The tax system and the cash-equivalent value of in-kind benefits for food and housing are important additions to family resources. But families also have non-discretionary expenses that reduce the income available to meet their needs for food, clothing, shelter, and utilities (FCSU) that are reflected in the threshold. These include the cost of childcare, commuting to work, and medical care that must be paid for out of pocket. This non-discretionary spending is accounted for as deductions from income because dollars spent on those items are not considered available to purchase food, clothing, shelter, or utilities.

The NAS report sparked further research and garnered widespread support among poverty experts.⁹ However, neither the federal government nor any state or local government had adopted the NAS approach until CEO's initial report on poverty in New York City in August 2008.¹⁰

More recently, the U.S. Bureau of the Census has issued annual reports on poverty using a Supplemental Poverty Measure (SPM). Like CEO's measure, the Census Bureau's SPM – first issued in November 2011 – is also shaped by the NAS recommendations, along with a set of guidelines provided by an Interagency Technical Working Group in March 2010.¹¹ Subsequent to the original NAS report, the guidelines incorporated work by researchers at the Census Bureau, the Bureau of Labor Statistics, and others. Many of these recommendations are reflected in our measure.

6 Citro, Constance F. and Robert T. Michael (eds.) *Measuring Poverty: A New Approach*. Washington, DC: National Academy Press. 1995.

7 The NAS reference families are composed of two adults and two children. The threshold for this family is then scaled for families of different sizes and compositions. See Appendix B.

8 The NAS suggested that this point lie between the 30th and 35th percentile. Citro and Michael, p. 106.

9 Much of the research inspired by the NAS report is available at: www.census.gov/hhes/povmeas/methodology/nas/index.html

10 New York City Center for Economic Opportunity. *The CEO Poverty Measure: A Working Paper* by the New York City Center for Economic Opportunity. August 2008. Available at: www.nyc.gov/html/ceo/downloads/pdf/final_poverty_report.pdf

11 Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure. March 2010. Available at: www.census.gov/hhes/www/poverty/SPM_TWGObservations.pdf

Poverty Thresholds

Official: The official threshold was developed in the early 1960s and was based on the cost of a minimum diet at that time. It is updated each year by the change in consumer prices. It is uniform across the United States.

CEO: The CEO poverty threshold is a New York City-specific threshold derived from the U.S.-wide threshold developed for the Federal Supplemental Poverty Measure. The threshold is based on what families spend on basic necessities: food, clothing, shelter, and utilities. It is adjusted to reflect the variation in housing costs across the United States.

CEO's Adoption of the NAS/SPM Method

CEO bases our New York City-specific poverty threshold on the U.S.-wide threshold developed for the SPM. We adjust the national-level threshold to account for the relatively high cost of housing in New York City by applying the ratio of the New York City Fair Market Rent to the U.S.-wide Fair Market Rent for a two-bedroom apartment to the housing portion of the threshold.¹² In 2014, our poverty line for the two-adult, two-child family comes to \$31,581. We refer to this New York City-specific threshold as the CEO poverty threshold. The 2014 official U.S. poverty threshold for the corresponding family was \$24,008.

Obviously, if this were the only change CEO had made to the poverty measure, it would lead to a poverty rate higher than the official rate. But, as described above, CEO also uses a far different measure of income to compare against the poverty threshold. Although our measure includes subtractions as well as additions to resources, CEO income is higher than pre-tax cash income at the lower rungs of the income ladder. At the 20th percentile, for example, CEO income was \$31,198 in 2014. The corresponding official income figure for pre-tax cash was only \$24,202. Thus, if a more complete account of resources had been the only change we had made to the poverty measure, the CEO poverty rate would fall below the official measure. Figure 14 illustrates official and CEO thresholds, incomes, and poverty rates for 2014. The effect of the higher CEO threshold (31.5 percent above the official) outweighs the effect of CEO's more complete definition of resources (which is 28.9 percent higher, at the 20th percentile, than the official resource measure), resulting in a higher poverty rate. In 2014, the CEO poverty rate stood at 20.7 percent while the official rate was 19.1 percent, a 1.5 percentage point difference.¹³

¹² Details of this calculation are found in Appendix B.

¹³ Differences are taken from unrounded numbers.

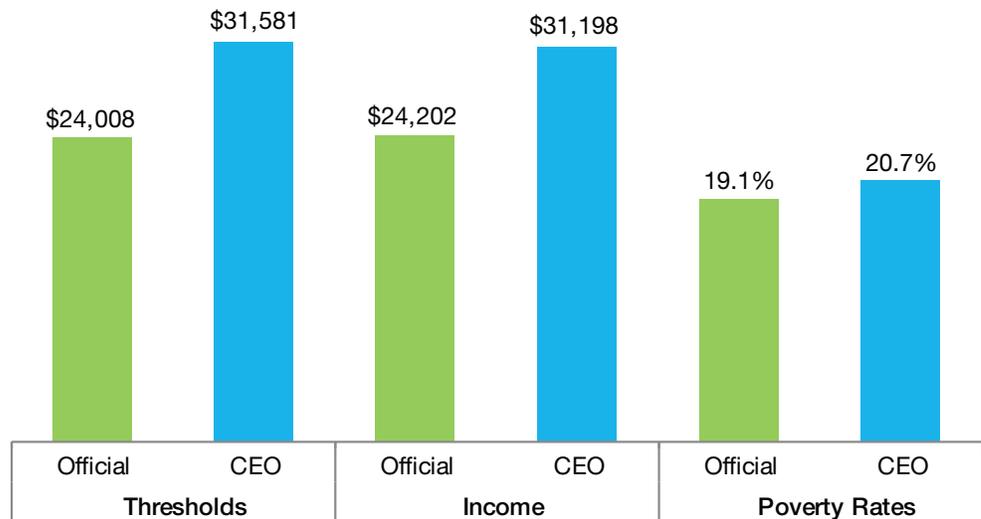
Measuring Income

Official Income: The official poverty measure’s definition of family resources is pre-tax cash. This includes income from sources such as wages and salaries, as well as government transfer payments, provided that they take the form of cash. Thus, Social Security benefits are included in this measure, but the value of in-kind benefits, like Food Stamps or tax credits such as the Earned Income Tax Credit, are not counted.

CEO Income: Based on the NAS recommendations, CEO income includes all the elements of pre-tax cash plus the effect of income and payroll taxes, as well as the value of in-kind nutritional and housing assistance. Non-discretionary spending for commuting to work, childcare, and out-of-pocket medical care are deductions from income.

To measure the resources available to a family to meet the needs represented by the threshold, our poverty measure employs the Public Use Micro Sample (PUMS) from the Census Bureau’s American Community Survey (ACS) as its principal data set. The advantages of this survey for local poverty measurement are numerous. The ACS is designed to provide measures of socioeconomic conditions on an annual basis in states and larger localities. It offers a robust sample for New York City (roughly 26,600 households) and contains essential information about household composition, family relationships, and cash income from a variety of sources.

Figure 14
Official and CEO Thresholds, Incomes, and Poverty Rates, 2014



Source: U.S. Bureau of the Census and American Community Survey Public Use Micro Sample as augmented by CEO.
 Notes: Incomes are measured at the 20th percentile and stated in family size and composition-adjusted dollars.
 Official poverty rates are based on the CEO poverty universe and unit of analysis.

But, as noted earlier, the NAS-recommended poverty measure greatly expands the scope of resources that must be measured in order to determine whether a family is poor. Unfortunately, the ACS provides only some of the information needed to estimate these additional resources. CEO has developed a variety of models that estimate the effect of taxation, nutritional and housing assistance, work-related expenses, and medical out-of-pocket expenditures on total family resources and poverty status. We reference the resulting data set in this report as the “American Community Survey Public Use Micro Sample as augmented by CEO” and we refer to our estimate of family resources as “CEO income.”