

**Center for
Economic Opportunity**

An Alternative to the Federal Poverty Measure

July 13, 2008

CEO Poverty Measure Goal

To create a more useful tool for policymaking

- Set a realistic standard of need for New Yorkers
- Better capture impact of government programs and regional cost of living differences
- Gain new insight into low-income population

The Current Poverty Measure

Threshold:

- Established in the mid-1960s at three times the cost of the USDA's "Economy Food Plan"
- Adjusted annually by the change in the Consumer Price Index
- Uniform across the U.S.

Resources:

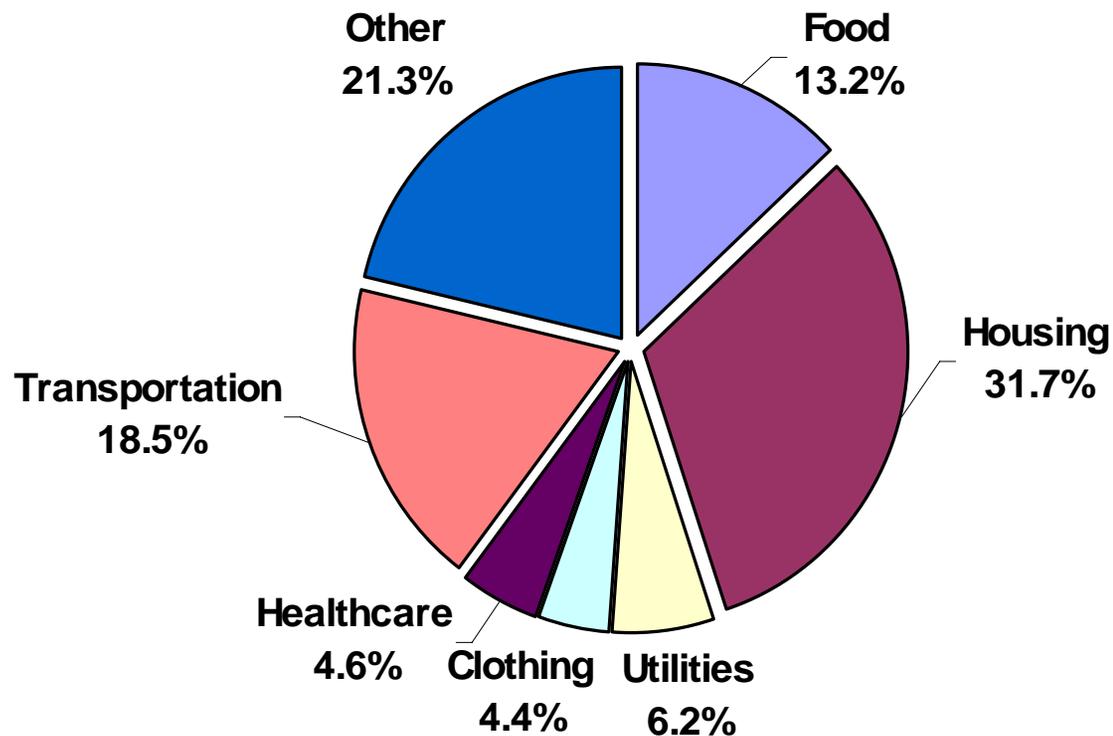
- Total family *pre-tax* cash income

What's Wrong with the Current Measure?

- The cornerstone of the official poverty threshold – food – has gone from one-third to one-eighth of household spending.
- The threshold is also uniform across the nation and does not account for major differences in living costs (driven largely by housing).
- The official measure does not account for the effect that “in-kind” benefit programs (e.g., Food Stamps or Section 8 housing vouchers) have on living standards.
- As a result, much of what government does to support low-income families is undetected by the official measure.

What's Wrong with the Current Measure?

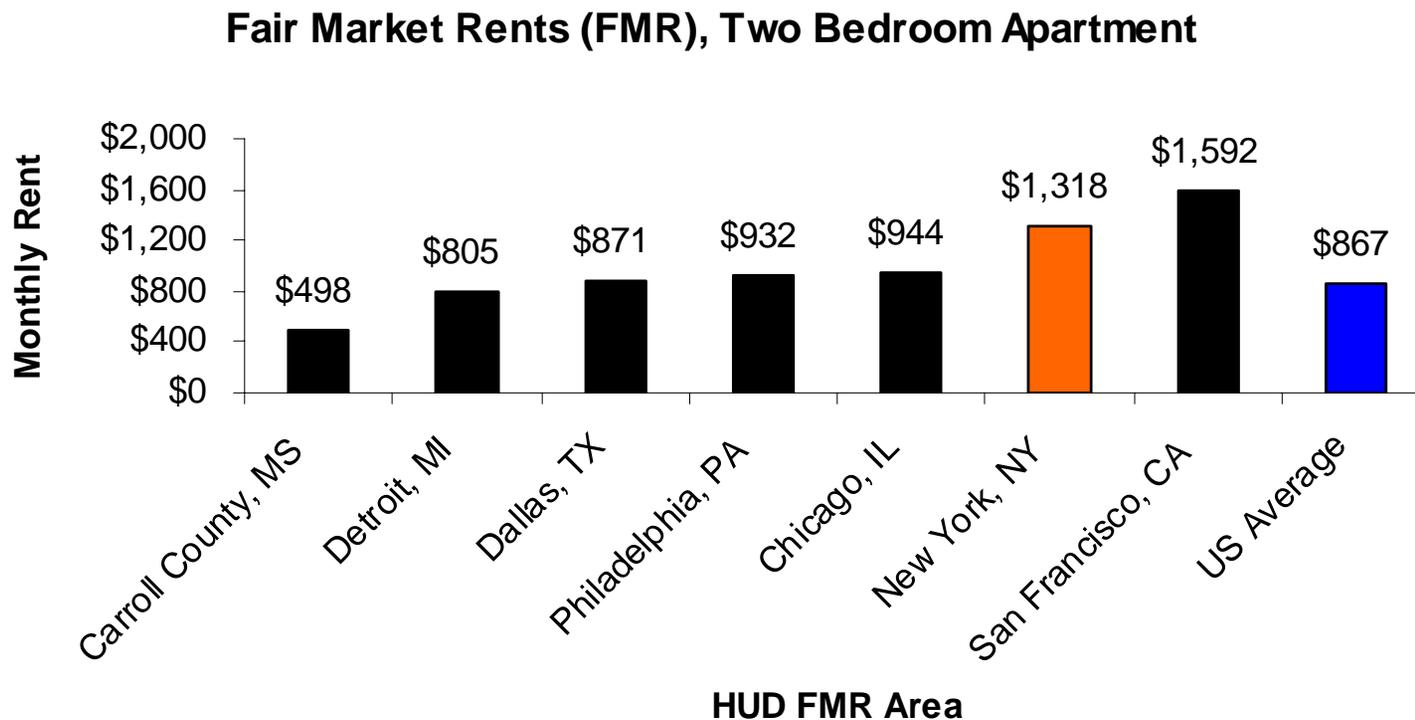
Food is no longer one-third of family expenditures



Source: U.S. Bureau of Labor Statistics, Consumer Expenditure Survey

What's Wrong with the Current Measure?

Threshold does not reflect high cost of living in NYC

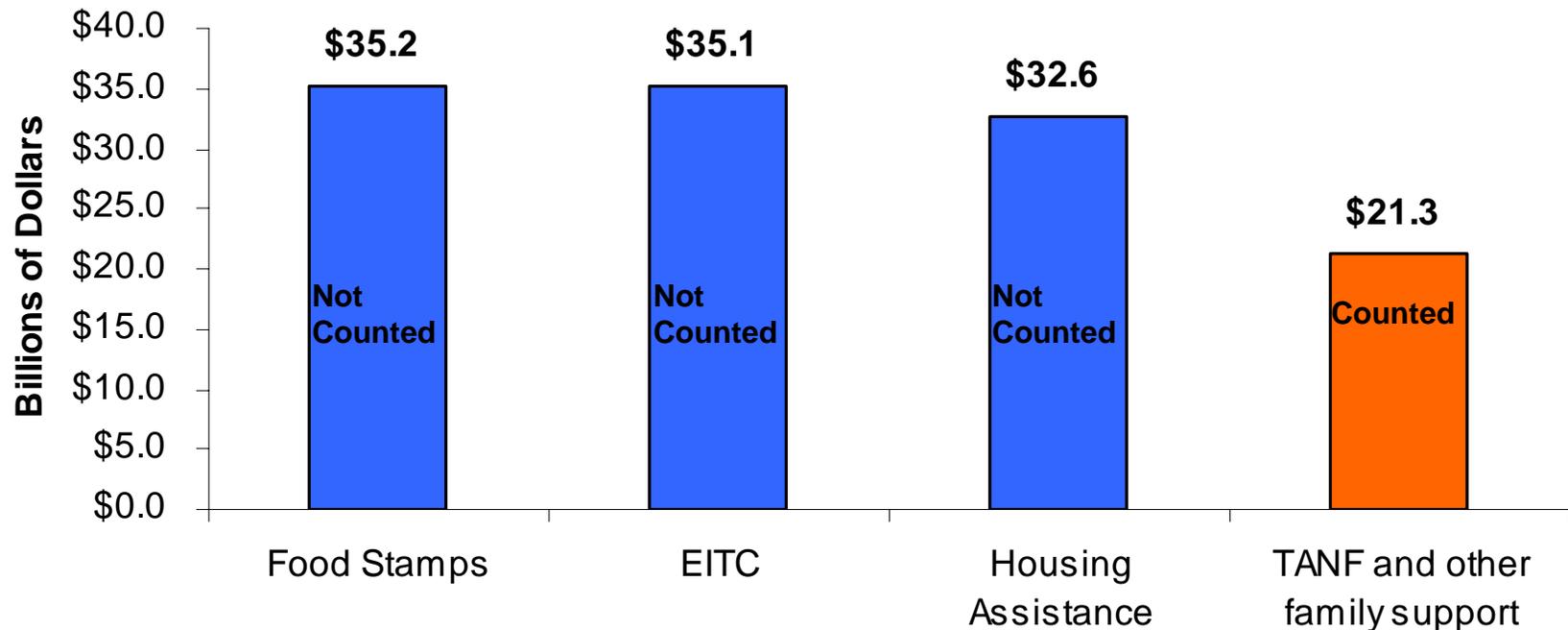


Source: U.S. Department of Housing and Urban Development, 2007

What's Wrong with the Current Measure?

Definition of resources does not capture impact of many government programs

Federal Payments for Select Anti-Poverty Programs, FY 2006



Source: U.S. Bureau of the Census, Statistical Abstract of the United States: 2007. Table 463.

Methodology for a New Measure

- CEO has based its alternative poverty measure on a set of recommendations that, at the request of Congress, was developed by the National Academy of Sciences' (NAS) Panel on Poverty and Family Assistance in 1995.
- The NAS measure recommends that the poverty thresholds reflect expenditures based on food AND clothing, shelter and utilities.
- The threshold is set to equal roughly 80% of median family expenditures on this “market basket” of necessities, plus a little bit more for other necessary purchases and is adjusted to reflect geographic differences in the cost of shelter. The threshold is adjusted annually by the items in this “market basket” of necessities. This ensures that the poverty threshold reflects changes in the nation’s standard of living.
- The resource measure includes tax liabilities and credits along with the cash value of in-kind benefits such as Food Stamps and housing subsidies.
- Resources are also adjusted to reflect necessary expenditures related to work, such as transportation costs and child care. Medical out-of-pocket expenses are subtracted from income, since what families must spend to maintain their health is not available for purchasing other necessities.

National Academy of Sciences' 1995 Proposal

Thresholds based on annual out-of-pocket expenditures for these necessities:

- Food
- Clothing
- Shelter
- Utilities
- A little more for miscellaneous expenses

Resources based on annual income available to family to purchase items in threshold:

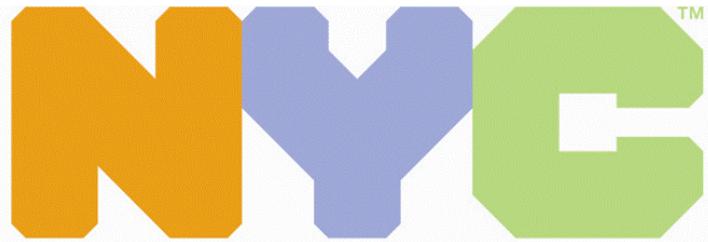
- After-tax income
- Add subsidies for food and shelter
- Subtract work-related expenses (e.g. child care and transportation)
- Subtract medical out-of-pocket expenses

CEO Takes NAS Measure One Step Further

- CEO uses the Census Bureau's American Community Survey as the primary source for the new measure.
- This large sample offers neighborhood-level estimates of poverty, allows comparisons between demographic groups and will enable researchers to compare NYC to other major cities in the U.S.
- By doing this we can take smarter steps in our work to eradicate poverty, and see more clearly the results. Better understanding the contours of poverty and using up-to-date data to identify where need exists within communities will help us gauge the effect of current policies and create new, innovative policies that will make a real difference.
- New York City hopes others will replicate the measure at their state or local level. We are prepared to share our methodology and provide technical assistance for this purpose.

The CEO Poverty Measure

- The CEO measure will not immediately change program funding or eligibility for New York City social service programs.
- Instead, it gives the City a more useful tool to develop poverty-related policy moving forward and allow City agencies to base future plans on accurate and timely data.
- The measure adapts the NAS' recommendations to the realities of life in NYC. This work was conducted by staff of the CEO, under the leadership of Dr. Mark Levitan, Director of Poverty Research.



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CEO Poverty Measure Results

Poverty Threshold

Poverty Thresholds for a Reference Family of Two Adults and Two Children, 2006	
\$20,444	Official Census Bureau Poverty Threshold <i>Source: U.S. Bureau of the Census</i>
National Academy of Science (NAS) Recommended Poverty Threshold, for the Nation	
\$12,218	NAS Non-shelter threshold <i>Source: U.S. Bureau of the Census</i>
\$9,600	NAS Shelter & utility threshold <i>Source: U.S. Bureau of the Census</i>
\$21,818	NAS threshold at national level <i>Source: U.S. Bureau of the Census</i>
New York City Adjustment	
\$12,218	NAS Non-shelter share of threshold <i>Source: U.S. Bureau of the Census</i>
\$13,920	NAS Shelter & utility above (\$9,600) times ratio of NYC to US Fair Market Rent (1.45) <i>Source: U.S. Bureau of the Census and U.S. Department of Housing and Urban Development, 2006</i>
\$26,138	CEO Threshold = Sum of non shelter threshold (\$12,218) & adjusted shelter and utility threshold (\$13,920)

Poverty Threshold

CEO and Official Poverty Thresholds Comparison			
Family Type	CEO	OFFICIAL	Percent Change CEO vs. Official
1 adult*, no child	\$12,114	\$10,488	15.5%
2 adults*, no child	\$17,081	\$13,500	26.5%
1 adult, one child	\$18,280	\$13,895	31.6%
1 adult, two children	\$21,702	\$16,242	33.6%
1 adult, three children	\$24,906	\$20,516	21.4%
2 adults, one child	\$23,006	\$16,227	41.8%
2 adults, two children	\$26,138	\$20,444	27.9%
2 adults, three children	\$29,116	\$24,059	21.0%

* Adult is non-elderly in the official threshold

Source: NYC CEO

Preliminary Insight Into the CEO Poverty Rate

General

- The New York City poverty rate using the CEO Poverty Measure is 23.0% as opposed to the official rate of 18.9% (by excluding people in group quarters, the official rate of 19.2% is brought down to 18.9%).

Degrees of Poverty

- Under the CEO Poverty Measure, a smaller proportion of the population is living in extreme poverty (below 50% of the threshold): 6.5% compared to 7.4% under the official measure. A larger percent of the population is living below 150% of the poverty threshold, 44.3% compared to 27.8%.

Working Poor

- Under the CEO Poverty Measure, there is a higher proportion of families with at least one full-time, year-round worker in poverty: 36.0% compared to 27.6%.

Preliminary Insight Into the CEO Poverty Rate

Poverty Rates for Persons

- Under the CEO Poverty Measure, there is a decrease in the poverty rate for children living with single parent families from 44.4% to 41.6%. The poverty rate of the elderly (65 and older) moves from 18.1% to 32.0%.
- Under the CEO Poverty Measure, the poverty rates increase for Non-Hispanic Whites, Asians, and foreign-born persons.

Geography

- Under the CEO Poverty Measure, the Bronx remains the poorest borough; the poverty rate in Queens increases by 7.8% and Brooklyn by 5.5%.

Degrees of Poverty

Degrees of Poverty in NYC						
Percent of Threshold	Measure				Percentage Point Difference	
	CEO		OFFICIAL			
	Percent of population	Cumulative percent	Percent of population	Cumulative percent	Percent of population	Cumulative percent
Under 50	6.5	6.5	7.4	7.4	-0.9	-0.9
50-74	6.9	13.4	4.7	12.1	2.1	1.3
75-99	9.6	23.0	5.8	18.0	3.8	5.0
100-124	11.1	34.1	5.0	23.0	6.1	11.1
125-149	10.2	44.3	4.8	27.8	5.4	16.5

Source: NYC CEO

Poverty Rates in New York City

Poverty Rates for persons by:			
	Measure		Percentage Point Difference
	CEO	OFFICIAL	
Gender			
Males	21.0%	16.2%	4.8
Females	24.8%	19.5%	5.3
Age Group			
Under 18	26.6%	27.2%	-0.6
18 thru 64	20.0%	14.5%	5.5
65 & up	32.0%	18.1%	13.9
Race/Ethnicity			
Non-Hispanic White	16.3%	10.0%	6.3
Non-Hispanic Black	23.9%	20.7%	3.2
Non-Hispanic Asian	25.9%	18.0%	7.9
Hispanic, any race	29.7%	25.8%	3.9
Non-Hispanic Other (represents 2.2% of pop.)	19.1%	14.6%	4.5

Source: NYC CEO

Poverty Rates in New York City

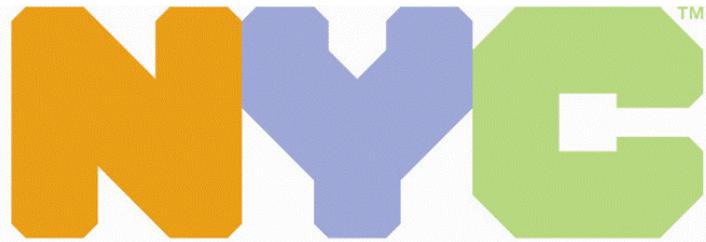
Continued: Poverty Rates for persons by:			
	Measure		Percent Point Difference
	CEO	OFFICIAL	
<i>Nativity/Citizenship</i>			
Citizen by birth	21.8%	18.6%	3.2
Foreign born, naturalized citizen	21.6%	13.3%	8.3
Not a citizen	28.6%	20.7%	7.9
<i>Children Under 18 (by presence of parent)</i>			
Two parents	17.2%	16.5%	0.7
One parent	41.6%	44.4%	-2.8
<i>Working age adults, 18 thru 64 by Educational Attainment (students excluded)</i>			
Less than HS	35.5%	29.2%	6.3
HS degree	23.3%	16.6%	6.7
Some College	15.8%	10.7%	5.1
Bachelors Degree or Higher	8.8%	4.4%	4.4
<i>Working age adults, 18 thru 64 by Work Experience in past 12 months</i>			
Full-Time, Year Around	8.5%	3.6%	4.9
Some work	23.2%	15.8%	7.4
No work	41.3%	36.1%	5.2

Source: NYC CEO

Poverty Rates by NYC Borough

Poverty Rates by NYC Borough			
	Measure		Percentage Point Difference
	CEO	OFFICIAL	
Bronx	27.9%	26.6%	1.3
Brooklyn	27.0%	21.5%	5.5
Manhattan	20.4%	16.8%	3.6
Queens	19.6%	11.7%	7.8
Staten Island	13.1%	8.4%	4.8

Source: NYC CEO



Center for Economic Opportunity

**CEO will release a poverty measure report with detailed
methodological appendices later this summer**