Alternative Poverty Measures Show Effects of Programs

By
Mary Branham [1]
Thursday, October 10, 2013 at 10:48 AM

Poverty rates would be much higher without state and federal policies that supplement incomes of low-income workers.

That’s obvious using alternative poverty measures some states and organizations have developed. Timothy Smeeding, director of the Institute for Research on Poverty and professor of public affairs and economics at the University of Wisconsin-Madison, and Elise Gould, director of health policy and research at the Economic Policy Institute, discussed the policy levers states can use to lower the rate of people living in poverty during a Council of State Governments webinar Oct. 1.

In fact, both Smeeding and Gould illustrated how programs ranging from Social Security and tax credits from the federal government to out-of-pocket expenses like medical and child care expenses affect the poverty rate.

“More people are in poverty than you might think because of how much money they have to spend on medical care,” Gould said.

But the official poverty measure, which was first adopted in 1969, wouldn’t necessarily show that. It’s based primarily on a budget for food and has been adjusted for inflation.

“It has a place, absolutely, but I think there are some reasons we want to look at other measures,” Gould said of the official measure.

The official measure doesn’t take into account any geographic variations in the cost of other items, such as housing and child care, or the provision of in-kind benefits and necessary expenses like transportation to work, taxes and health care. The federal supplemental poverty measure, on the other hand, looks at additional expenses like clothing and shelter.

“One of its biggest weaknesses ... is that there’s really no differences made in official measures for differences in cost of living,” Gould said.

The supplemental measure and alternative measures such as those developed by the Economic Policy Institute and some states, like Wisconsin, fill that void.

In fact, Gould said these measures give a better picture of the state of poverty than the official one.

Smeeding said the measures also show how state and federal policies are working.
“States want to know what’s going on with the programs they are using to fight poverty and how well are they doing,” he said.

The Institute for Research on Poverty developed the Wisconsin poverty measure to answer that question. Smeeding said the state did the same thing the Census Bureau did in creating the supplemental poverty measure, and adjusted for differences within Wisconsin counties and between Wisconsin and other states.

While many of the programs to fight poverty come from the federal government, Smeeding pointed out that states are involved in ensuring people know and sign up for them.

The institute has mapped the levels of poverty across the state, and brought attention to the areas that are statistically significantly higher than the state as a whole. It also shows the wide disparity in some areas, like Milwaukee County where, within five Census areas, the rate ranges from 35 percent in central city to 5 percent in the outlying rich areas of the county.

“This is an eye opener to a lot of people that you could have that much variation within the same county,” he said.

The institute could use a database to estimate how changes in parameters for different programs would change the poverty rate. State officials contact the institute asking where they would find those most likely to apply and qualify for an expansion of the low income heating assistance program. Using the Wisconsin poverty measure, the institute could answer that question.

The measure has been so successful that Smeeding is working with other states, including California and Colorado, to develop state-specific measures there.

CSG Resources


Other Resources

- University of Wisconsin Institute for Research on Poverty [7]

Also in this Issue:

- From the Expert: Information Shutdown [8]
- Meet a Member: Good Leadership Often ‘Less about Credit and More about Results’ [9]

Tags:
E-Newsletter [10]