

THE SUPPLEMENTAL POVERTY MEASURE AND COMMUNITIES OF COLOR

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INCLUSION.

OVERVIEW

The Supplemental Poverty Measure (SPM) is a new federal statistic that will be published by the U.S. Census Bureau in the fall of 2011 to measure the economic well-being of U.S. families using updated income thresholds and improved resource calculations. It will supplement, not replace, the official poverty measure, which was created in the 1960s without accounting for differences in geographic location, safety net supports, income assistance, or family expenses such as child care, transportation, and out of pocket medical costs. While the official poverty measure will still be used to determine eligibility for government programs and the allocation of federal funds, the Supplemental Poverty Measure will be a complementary, comprehensive indicator of the economic and social conditions that American families currently face. By providing a more accurate profile of the persistent problem of poverty in America, the updated measure will act as a new tool for economists, policymakers, researchers, and advocates to measure the impact of anti-poverty policies and develop strategies to alleviate poverty among women of color, their families and communities.

IMPACT ON COMMUNITIES OF COLOR

The official poverty statistics from 2009 estimate that approximately 8.8 million families and 43.6 million individuals are living in poverty, including more than 24 million people of color.¹ A quarter of all Black and Hispanic families lived in poverty in 2009, and poverty rates were even higher for Black and Hispanic female-headed households (Figure 1). The Supplemental Poverty Measure will help policymakers better understand the breadth and depth of poverty's impact on communities of color. Additionally, the Measure represents an improved method of capturing economic trends and assessing the impact of federal policies on families of color living in poverty.

Figure 1. Poverty Rates by Race and Household Status, 2009

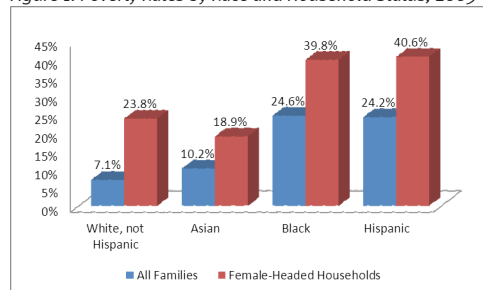
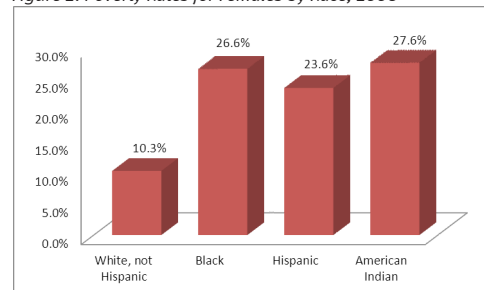


Figure 2. Poverty Rates for Females by Race, 2008



Women of color, in particular, consistently hold the highest poverty rates in the nation. While only 10.3 percent of non-Hispanic white women were poor in 2008, the poverty rates for Hispanic, Black and American Indian women were more than twice as high: 23.6 percent, 26.6 percent and 27.4 percent, respectively (Figure 2).²

¹ U.S. Census Bureau, Income, Poverty, and Health Insurance Coverage in the United States: 2009, Released September 2010

² U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates

The new poverty threshold utilized in the Supplemental Poverty Measure will provide a more accurate assessment of poverty in communities of color, and may lead to even higher estimations of families of color living in poverty. A similar experimental supplemental poverty measure employed by the Census Bureau in 2007 found higher rates of poverty in all racial groups. The percentage of poor Blacks rose from 24.5 percent under the official poverty measure to 30.3 percent under the experimental one.³

The Supplemental Poverty Measure will also account for government safety net programs for the first time, which will highlight the role of food stamps, the Earned Income Tax Credit, subsidized housing assistance, and other public benefits in reducing poverty. Similar experimental poverty measures, such as the one used in a 2009 study by the Center on Budget and Policy Priorities, have demonstrated that government safety-net programs are effective in lifting as many as 31 million individuals out of poverty and reducing poverty overall by nearly 45 percent.⁴

DIFFERENCES BETWEEN THE TWO MEASURES

The Supplemental Poverty Measure differs from the official poverty measure in several critical areas. In addition to considering after-tax cash income, in-kind benefits, and necessary expenses in defining the resources that determine a family’s poverty status, the Supplemental Measure accounts for geographic price differences. The official measure does not adjust the poverty threshold to reflect regional variations in cost of living expenses and only includes a family’s pre-tax cash income in its resource calculation.

Other differences include:

	OFFICIAL POVERTY MEASURE	SUPPLEMENTAL POVERTY MEASURE
Income used in estimating a family’s resources for meeting basic needs	Annual pre-tax cash income only	Annual cash income, MINUS -- Federal and state taxes -- Work expenses (transportation costs, child care, union dues, uniforms, etc.) -- Child support payments -- Medical out-of-pocket expenses PLUS + Tax credits received + The cash-equivalent value of government in-kind benefits (Section 8, LIHEAP, SNAP)
Means of calculating the poverty threshold (the “line” below which a family is considered poor)	Calculated as three times what a family spent on food in 1955, based on the lowest-cost USDA food budget at the time and adjusted for inflation.	Established on the basis of food, shelter, clothing, and utility expenditures (FSCU) using data from the Bureau of Labor Statistics’ Consumer Expenditure Survey, plus an additional 20% for miscellaneous commodities that families must purchase.
Dollar amount of the poverty threshold	\$22,050 for a family of four (two adults and two children).	Set at the 33 rd percentile of the distribution of expenditures described above.
Means of adjusting the poverty threshold for geographic cost differences	None. No regional adjustments are made to the poverty threshold.	Accounts for price differences in living expenses across geographic areas using data from the American Community Survey.
Means of adjusting the poverty threshold for differences in housing status	None.	Accounts for differences in expenditures among renters, home-owners with a mortgage, and home-owners without a mortgage by using an “adjustment factor for the shelter component.”
Reference family unit	A family of four: two parents and two children. The poverty threshold is adjusted for family size.	All families with two children, including a family of three: one adult and two children (a common family structure in low-income communities). The poverty threshold continues to be adjusted for family size.
Definition of a family unit	Limited to birth relatives, adopted children, and marital spouses.	Includes foster children and co-habiting partners.

The Census Bureau will release the Supplemental Poverty Measure at the same time and in the same level of detail as the official income and poverty statistics each year. The Supplemental Poverty Measure is expected to be updated annually and undergo frequent revisions in the initial years following its release.

³ <http://www.census.gov/hhes/www/povmeas/papers/shortsge2010.pdf>

⁴ <http://www.cbpp.org/files/7-6-09pov.pdf>