A New Look at Poverty and the Social Safety Net

July 29, 2015

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Policymakers need realistic picture of poverty

- Official poverty measure devised in 1960s
  - Used to track trends in poverty and determine eligibility for many safety net programs
- Has not been modified to reflect changes in consumption patterns and programs
- National effort to design alternative measures began in 1990s
Outline

- Evolution of poverty measurement
- Example from California
- Insights from comparing states in the west
Next generation measures are more accurate and comprehensive

- Include largest safety net programs (Supplemental Nutrition Assistance Program and the Earned Income Tax Credit)
- Account for out-of-pocket medical and work expenses
- Factor in cost of living differences across different areas in the U.S.
What are the improvements?

- **Resources** expanded to include both cash (earnings, TANF, social security) and non-cash (EITC, SNAP)
- **Expenses** for travel to work, child care, and out-of-pocket medical costs subtracted
- **Poverty thresholds** based on actual spending on food, clothing, housing and utilities
  - And also vary across geographic areas
- **Families** include co-habiting partners and foster children
- Note that *both* official and next generation (“supplemental”) poverty measures exclude many who live in institutions and the homeless
### How poverty is measured

<table>
<thead>
<tr>
<th>Resources - Expenses</th>
<th>Poverty threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family resources</strong></td>
<td><strong>Necessary expenses</strong></td>
</tr>
<tr>
<td>Official poverty</td>
<td>Earnings (before taxes), cash benefits</td>
</tr>
<tr>
<td>Supplemental poverty</td>
<td>Adds taxes and tax credits, in-kind benefits</td>
</tr>
</tbody>
</table>
Outline

- Evolution of poverty measurement
- Example from California
- Insights from comparing states in the west
Next generation measure shows more Californians in poverty

...But fewer children in deep poverty

- All persons: 6.1% (CPM) vs. 6.8% (official)
- Children: 5.7% (CPM) vs. 9.6% (official)
- Adults 18-64: 6.5% (CPM) vs. 6.5% (official)
- Adults 65+: 4.9% (CPM) vs. 2.4% (official)

Clear role for safety net in reducing child poverty

Outline

- Evolution of poverty measurement
- Example from California
- Insights from comparing states in the west
Next generation measures alter the picture for most states in the west

Poverty thresholds vary substantially across western states

Poverty thresholds for families with two adults and two children

Updated poverty thresholds
Official poverty threshold

States with higher thresholds tend to have higher poverty rates

Children are usually, but not always, the most impoverished

SOURCE: Supplemental Poverty Measure estimates for 2009-2013
Without safety net programs, child poverty would be much higher

SOURCE: Supplemental Poverty Measure estimates for 2009-2013
A new look at poverty and the social safety net

- Updated measurement redraws the map of poverty
  - Factor in *both* costs of living and additional government resources
  - Only in some states are additional costs balanced out by additional resources
- Next generation measures pinpoint the role of resources from social safety net programs
- And they can be tools for assessing policy choices
Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.