Coalition on Human Needs
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Office of the Chief Statistician,
Office of Management and Budget
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Comments on Considerations for Additional Measures of Poverty

To the Office of the Chief Statistician:

I am writing on behalf of the Coalition on Human Needs (CHN), an alliance of more than one hundred national organizations, including faith, labor and civil rights organizations, human service providers, expert policy groups, and other advocates concerned with meeting the needs of low-income and vulnerable people through federal policies, programs, and funding. Since 1981, CHN has focused on federal policies to lift individuals and families out of poverty, and has studied and utilized the federal Official and Supplemental Poverty Measures. We also annually provide training to thousands of anti-poverty advocates throughout the nation in the use of the Census Bureau's annual publication of data from the Current Population Survey and American Community Survey.

We know that the current Official Poverty Measure (OPM) can be made far more accurate, and that the Supplemental Poverty Measure (SPM), while more responsive to current income and spending patterns, can also be improved upon. However, we strongly urge you to recognize that the COVID-19 pandemic is taking up most of our attention, and that of our members, other service providers and advocates, and the academic research community. It is an urgent priority for staff at the Office of Management and Budget as well. **The comment period for consideration of additional poverty research measures should be extended or reopened until at least one month after the conclusion of the state of emergency.**

When attention can be turned to a serious consideration of alternative poverty measures, we strongly recommend that this be undertaken through a panel formed under the National Academy of Sciences, with extensive outreach to include not only experienced academic poverty researchers but also diverse people who have experienced poverty, community-based organizations, service providers, and anti-poverty policy experts. Consideration of the full array of income and expenditures in a low-income household will be more accurate if people with real-world experience participate.

The COVID-19 pandemic is an unwelcome demonstration of real-world forces that can precipitate massive declines into hardship and poverty. Today's plummeting economy is unprecedented and extreme. We see people suddenly without income, who may go into debt in order to afford groceries or pay the rent. Such households or individuals will at least for a time spend above their income. If the economy rebounds, some people will return to work and earn enough to pay back the debt without too much difficulty. Others will not find enough work to get out from under their debt. An alternative poverty measure that counted the debt-financed consumption without accounting for the impact of debt would not be an accurate measure of this family's hardship.

The Interagency Technical Working Group on Evaluating Alternative Measures of Poverty is contemplating various consumption measures of poverty. We believe that such measures would be prone to an unacceptable understatement of poverty because it is unlikely to take into account fluctuations in earnings. The economic free-fall of the pandemic has caused precipitous reduction in income for millions of people. But even in a stronger economy, there are many whose earnings are unstable. These workers will purchase items at points of higher earnings. Just as in the example of the sudden earnings drop due to the pandemic downturn, counting the higher level of consumption without adequately taking into account the subsequent income loss would mask an overall difficulty in making ends meet. Earnings fluctuations in a gig economy are not uncommon. A poverty measure that fails to capture such insecurity would not be accurate.

A more accurate poverty measure will include a mix of income and expenditures, with an emphasis on regular basic expenditures such as rent, food, utilities, child care, and transportation costs. Income such as nutrition assistance, rental assistance, child care subsidies, and low-income tax credits should all be counted if they are received. They are appropriate indices because the income sources match directly with regular expenditures (for example, rental or child care assistance are received only when there is rent and child care to pay for).

In contrast, including health insurance as an income source is far more problematic. While it is clear that health insurance is of value, it does not match up as directly with expenditures on health care. A person with health insurance may go months or longer without purchasing medical treatment. The value of the health insurance is not fungible; families are not more able to afford rent or heat if the value of health insurance is counted towards their income. In contrast, although SNAP benefits can only be used for food, the purchase of food is so regular that counting SNAP benefits as part of income is reasonable; the presence of SNAP benefits frees up other income sources to pay for other expenses like rent or public transit.

Because health insurance is so expensive, if it were to be counted as income, it would bump many individuals or households well above the poverty threshold, even if they had far too little other income to pay for the regular ongoing expenditures of rent and food. The only way to incorporate health insurance as an income source would be to assign corresponding values to expenditures for health insurance and health care and to add that to the measure. A comprehensive estimate of both the cost and value of health insurance plus out of pocket expenses for health care treatment should be examined by a National Academy of Sciences panel as described above for inclusion in a poverty measure.

Of prime importance, a more accurate poverty measure must reflect actual experiences of deprivation: difficulty in affording basic needs. There is considerable evidence that individuals and families with incomes well above the OPM struggle to pay for necessities. The Urban Institute, reporting on the Well-Being and Basic Needs Survey for Quarter 4, 2017, found that about 60 percent of adults aged 18-64 years old with incomes between 100 – 199 percent of the federal poverty line experienced some form of financial hardship related to housing, utilities, food insecurity, and problems paying medical bills or unmet medical care need. People between one to two times the OPM experienced hardships at quite near the rate of those below the official measure. Specifically, over 40 percent of adults with incomes between 100 – 199 percent of the OPM experienced food insecurity, only slightly less than those below the poverty line. Just under 20 percent of both income levels reported missing a rent or mortgage payment. About 30 percent of the near poor group said they had problems paying family medical bills, even higher than the below 25 percent level for those below the OPM, their worse experience likely related to higher levels of Medicaid coverage among the poorest group.

Looking at adults at all income levels, very large proportions of certain demographic groups had experienced any material hardship as measured by the Well-Being and Basic Needs Survey. More than half (57.8 percent) of single adults with children under age 19 in the family had experienced any hardship. Similar, more than half of Black, non-Hispanic adults (54.5 percent) and Hispanic adults (50.1 percent) reported any material hardship. About two-thirds of those reporting fair or poor health (66.3 percent) had experienced any hardship.

All of these statistics are a sobering view of the difficulties in affording basic necessities for those above the official poverty line. A serious effort to modernize the poverty measure must be grounded in such findings. It must also take into account a more comprehensive list of necessities. Today's pandemic lays bare the importance of internet access. Children in homes without adequate access cannot continue their education at all with school buildings closed. Parents who might have been able to remain employed with internet access are denied that opportunity without it. While COVID-19 is an extreme example of the need for internet connection, families without it are at significant disadvantage even in the absence of a pandemic. Similarly, the high cost of child care should be taken into account for families with young children. It is obvious that low-income parents cannot afford the average cost of child care. The organization Child Care Aware studies the cost of care, and found, for example, that the cost of caring for a four-year old averaged between about $7,600 - $9,200 a year in their 2019 report; costs for an infant or toddler were higher. For a family of three with an income below about $40,000 a year, whose housing costs could well exceed half their income, such an expenditure would be impossible. An accurate poverty measure should take such essential need for child care into account.

Disproportionate hardship among families with children and among people with poor health or disabilities should direct research efforts to incorporate the needs they particularly experience, such as health care and child care.

When asked what they think a true measure of poverty is, Americans consistently estimate a higher threshold than the official measure. Surveys conducted by the Center for American Progress (2013) and the American Enterprise Institute (2016) found that respondents set the poverty line for a family of four at $30,000 - $33,000, respectively. In 2016, the Official Poverty Measure was $24,300 for that family size.

The Administration has previously sought comments about changing the inflation adjustment for the poverty measure. The Coalition on Human Needs was among more than 50,000 commenters, the vast majority of whom opposed the use of the chained CPI or other alternative inflation adjustments that would shrink the poverty measure over time. The current request for comments also asks about adjusting the poverty level over time. We continue to strongly oppose the use of the Chained CPI. Inflation may be higher for the items actually purchased by low-income people than for the population as a whole. Over the nine years from the third quarter of 2004 through the third quarter of 2013, average inflation accumulated to 33% for households with incomes below $20,000 but to just 25% for households with incomes above $100,000. Low-income people must spend most of their income on the most basic necessities. The combined cost of a two-bedroom apartment in a medium-cost metropolitan area and a minimally adequate diet would be $21,000 in 2018, 84 percent of the poverty threshold for a family of four. They have little opportunity to reduce their costs for these items. The cost of rent rose 31 percent from 2008 to 2018, compared to a 17 percent increase overall for CPI-U. The Bureau of Labor Statistics created experimental cost indices made up of basic necessities (shelter, groceries, clothing, energy, and medical care), and found those items rose on average 2.99 percent per year from 1982 to 2014, faster than the 2.78 percent per year growth for all household consumer purchases. Similarly, the Federal Reserve Bank of Chicago, as cited by the Center on Budget and Policy Priorities, found that prices for the average package of goods and services purchased by poor households rose 0.18 percentage points a year faster from December 2003 to December 2013 than prices for the average package of goods and services bought by all income groups.

Adjusting for a measure of inflation appropriate for low-income expenditures is important, but it is not the only kind of adjustment needed over time. Just as we have learned that the proportion of income spent on food is lower now than it was in the 1960s, when the official poverty line was established, and the cost of housing is far higher, periodically poverty analysts should do research to see how the components of income and expenditure may have changed further for low-income households.

Other nations have defined poverty as a proportion of median income. We encourage further research to incorporate such a measure as another alternative, since a relative measure will automatically take into account changing patterns of expenditure.

Improving upon the measure of poverty is both important and complicated. We see the tragic impact of poverty in the disproportionate COVID-19 infections and deaths among low-income people. This is shocking but not surprising. Poor American lives are 10-15 years shorter than those of rich Americans. Because of poverty linked to discrimination, African Americans and Latinx similarly face worse outcomes and shorter lives. Children are disproportionately poor, and their poverty throws up roadblocks to education, health, and economic success in adulthood. These are urgent problems whose solutions depend on a clear-eyed analysis of the nature of poverty. We strongly urge you to commission the National Academy of Sciences to engage in further research, informed by the participation of those with lived expertise, to ensure that the outcome provides greater understanding of what it means to be unable to afford basic necessities in America.

Thank you for considering these comments.

Sincerely yours,

Deborah Weinstein
Executive Director