Abstract for "Accounting for Social Transfers in-Kind (STIK) in a New Poverty Measure: A Comparison of Australia and the U.S."

Kathleen Short (U.S. Census Bureau)
Gerry Redmond (Flinders University, Australia)
Thesia Garner (U.S. Bureau of Labors Statistics)

In all rich countries, households receive cash and in-kind social benefits from governments. Social Transfers in-kind (STIK) include services such as health care, education, housing, long-term elderly and disability care, and childcare and child welfare services, transport concessions, and goods such as nutritional, housing, and home energy assistance. The goals of this research are to identify and impute the value of STIK using alternative methods, and examine their impact on economic well-being and household poverty in Australia and the U.S. The methodology followed for calculation of STIK and poverty measurement is based on the U.S. Supplemental Poverty Measure as outlined in the document Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure. The SPM serves as the starting point for this research.

In November 2012, the U.S. Census Bureau in cooperation with the Bureau of Labor Statistics released its second report on the SPM. The SPM uses the U.S. Consumer Expenditure Survey to calculate poverty thresholds that represent a dollar amount spent on a basic set of goods that includes food, clothing, shelter and utilities (FCSU), and a small additional amount to allow for other needs (e.g., household supplies, personal care, non-work-related transportation). Adjustments reflect the needs of different family types and geographic differences in housing costs. The U.S. Current Population Survey Annual Social and Economic Supplement measures income or resources available to families to meet the threshold needs. SPM family resources are defined as the value of cash income from all sources, and the value of in-kind benefits that are available to buy the basic bundle of goods (FCSU) minus necessary expenses for critical goods and services not included in the thresholds. For this measure in-kind benefits include nutritional assistance, subsidized housing, and home energy assistance. Necessary expenses subtracted include income taxes, Social Security payroll taxes, childcare and other work-related expenses, child support payments to another household, and contributions toward the cost of medical care and health insurance premiums, and medical out-of-pocket costs.

The first exercise of this paper is to calculate similarly constructed SPM poverty lines and measures of family income or resources using Australian survey micro data. For the most part, only one data source is needed in this part of the analysis – the combined 2009-10 Household Expenditure Survey and the Survey of Income and Housing (HES-SIH). This part of analysis comprises a technical description of how the SPM is applied to Australian data and a detailed comparison of each of the basic elements of the measure. This includes comparisons of levels of need represented by the thresholds as well as comparisons of levels of receipt of STIK and effects of tax policies. The construction of the SPM for both the US and Australia allows a comparative assessment of the effectiveness of STIK in increasing economic wellbeing and reducing poverty rates in the two countries. An examination of necessary expenses, such as medical out-of-pockets spending or spending for childcare, further allows comparisons of STIK across countries insofar as spending for health care or childcare reflects the availability and generosity of STIK to meet these needs. Comparing private spending for these services for a country

(Australia) that has a (largely free at point of delivery) national health care service and reasonably generous child care benefits to those in a country (U.S.) where there are none, can be seen as a measure of the effectiveness of these programs. However, STIK are supported by taxes. Torrey and Jacobs (1993) showed in their comparison of household spending in Canada and the US that, while Canadian households spent more on taxes and US households spent more on health care, combined taxes and health spending in the two countries was similar. Because the SPM also accounts for taxes, we will examine differences between the two countries in these necessary expenses across subgroups of the population and assess the redistributive effects of the tax and transfer policies with a focus on STIK.

More direct comparisons of STIK will also be conducted.The Australian 2009-10 data include fiscal incidence measures for in-kind health, education, housing and welfare, already attached to households on the basis of their characteristics. Comparable measures will be estimated for the U.S., allowing detailed analysis of the distribution of STIK in the two countries.

The final sections in this analysis compare U.S. and Australian poverty lines, and show poverty estimates for both countries using the SPM concepts. The incidence, depth, and severity of poverty are presented for the total population and for specific subgroups of the population that have been most susceptible to hardship historically in both countries (for example, large families, lone parents, and elderly persons living alone) and those that most benefit from STIK. Measurement and data collection issues and differences are described and discussed.