

Choice in Defining and Estimating Poverty Thresholds: Focus on the U.S. Supplemental Poverty Measure

Liana E. Fox and Thesia I. Garner

Abstract

The Supplemental Poverty Measure (SPM) was developed in 2010 as a supplement to the official poverty measure for the United States, with statistics produced since 2011. The SPM is considered to be a work in progress with the expectation that there would be improvements to it over time based on the availability of new data and/or methods and as justified by further research. Research to improve the resource and threshold measures has been conducted over the past 10 years. While there has been much agreement on improving the resource measure, debate continues regarding thresholds. The purpose of this study is to continue the discussion surrounding the SPM with results to test alternative estimation assumptions, and to highlight issues and options for other countries faced with similar challenges in poverty measurement. Specifically this paper focuses on choices to consider when defining and estimating poverty thresholds based on household or consumer expenditure survey data. The experience presented in this paper is that from the perspective of representatives from the U.S. federal economic statistical community. Choices outlined and discussed include the following: which goods and services to include in the thresholds and how to value these; if based on a point in a distribution, for example, at a lower point like the 33rd percentile versus the median; upon whose experience thresholds are based, for example, households and families most likely to receive government transfers (e.g., two adults with two children) or all households in the population; the treatment of in-kind benefits; how to account for owner-occupied housing; whether and how to adjust for geographic differences in prices across areas; and updating of thresholds over time. Thresholds based on these choices are produced.