Potential Improvements to the Supplemental Poverty Measure for 2021: Resources

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Changes Under Consideration

	SPM	Potential Changes
Resource measure	Sum of cash income, PLUS: in-kind benefits (SNAP, LIHEAP, WIC, Housing subsidies) MINUS: Taxes, child support paid, work expenses (including child care), medical out-of-pocket expenses	Use state data to set WIC benefits Cap nutritional assistance programs at food portion of threshold Move to household unit of analysis Adjust equivalence scales

Using State-Varying WIC Values

- Currently, the value of WIC in the SPM is estimated using the average national benefit amount. The proposed change would allow the benefit amount to vary by state.

  - For 2019, national average monthly WIC benefit value was $40.87, while states ranged from $26.45 (Texas) to $56.78 (New Jersey)

- Will be more consistent with threshold imputations

- Would allow for analysis of future state-level changes in WIC generosity

- Very small impact on poverty rates

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Impact of Moving to State-Varying WIC Values

Characteristic	Using National WIC Average		Using State WIC Average		Difference
	Estimate	m.o.e	Estimate	m.o.e	Estimate
All People	15.57	0.16	15.58	0.16	Z
WIC Recipients	31.10	1.69	31.18	1.72	0.08
Sex					
Male	14.84	0.22	14.84	0.22	Z
Female	16.28	0.22	16.29	0.22	0.01
Age					
Under 18 years	17.09	0.32	17.10	0.32	0.02
18 to 64 years	15.28	0.20	15.28	0.20	Z
65 years and older	14.41	0.41	14.41	0.41	0
Region					
Northeast	14.88	0.39	14.88	0.39	0
Midwest	12.15	0.32	12.15	0.32	0
South	15.97	0.26	15.99	0.26	0.02
West	18.54	0.33	18.53	0.33	-0.01

* An asterisk following an estimate indicates difference is statistically different from zero at the 90 percent confidence level.
Z Rounds to zero.
Source: U.S. Census Bureau, Current Population Survey, 2015 Annual Social and Economic Supplement.

Cap Nutritional Assistance Programs

- Currently, we cap housing subsidies at the housing portion of the threshold, but do not cap nutritional assistance programs at the food portion of the threshold.

- This proposed change would eliminate this inconsistency by proportionately capping all nutritional assistance programs in the SPM (SNAP, WIC and School Lunch).

- Impact: ~1-2% of sample would face cap

- Overall Impact: 0.1 ppt increase in poverty overall

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Impact of Capping Nutritional Assistance Programs

Characteristic	Current Estimates		Capped Nutritional Asst. Programs		Difference
	Estimate	m.o.e	Estimate	m.o.e	Estimate
All People	12.77	0.27	12.82	0.27	0.05 *
Nutritional Asst. Recipients	18.64	0.61	18.80	0.60	0.16 *
Age					
Under 18 years	13.68	0.52	13.83	0.52	0.15 *
18 to 64 years	12.21	0.28	12.24	0.28	0.03 *
65 years and older	13.59	0.47	13.61	0.47	0.02 *

* An asterisk following an estimate indicates difference is statistically different from zero at the 90 percent confidence level.
Source: U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement.

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Move to Household Unit of Analysis

- More comparable to international measures

- Simple and straightforward

- Less consistent with threshold unit of analysis (consumer units)

- Overall, decreases poverty (0.7%). Among the biggest decreases for unrelated individuals (3.9%), non-workers (1.9%) and non-citizens (1.8%)

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Modify Equivalence Scales – Two Options

- Current 3 parameter equivalence scale:

  - One and two adults: scale = (adults)$^{0.5}$

  - Single parents: scale = (adults + 0.8 * first child + 0.5 * other children)$^{0.7}$

  - All other families: scale = (adults + 0.5 * children)$^{0.7}$

- Option 1: Use 0.7 for economies of scale for all

  - Only changes scale for 2A/0C units from 1.41→1.62

- Option 2: Change equivalence scale to $\sqrt{n}$ for all

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Modify Equivalence Scales—Option 1: 2A/0C Δ

- Current 3 parameter equivalence scale:

  - One and two adults: scale = $(\text{adults})^{0.5} \rightarrow (\text{adults})^{0.7}$

  - Only changes equivalence scale for 2A/0C units from 1.41→1.62

- Results in higher thresholds for 2A/0C units than 1A/1C units

  - Conceptual question as to which types of units should have higher thresholds

- Overall, increases poverty (0.6%). Among largest increases: less than high school education (2.2%) and individuals age 65 and older (1.5%)

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Modify Equivalence Scales—Option 2: $\sqrt{n}$

- Replace 3-parameter scale with $\sqrt{n}$

- Treat adults and children the same

- More consistent with international measures

- Simple and straightforward

- Overall, decreases poverty (1.8%). Among largest declines: non-citizens (4.8%), Hispanics (4.5%) and less than high school education (4.2%)

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Summary/Recommendations

- Make WIC modification

- Cap nutritional assistance program

- Need feedback on move to household analysis

- Need feedback on equivalence scale changes

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Summary of Potential Resource Changes

	HH Unit of Analysis	Equiv Scale-2A/0C	Equiv Scale-$\sqrt{n}$
Overall	↓ 0.7 %	↑ 0.6 %	↓ 1.8 %
Under 18	↓ 0.2 %	No change	↓ 2.6 %
18 to 64 years	↓ 1.0 %	↑ 0.6 %	↓ 1.8 %
65 years and older	↓ 0.2 %	↑ 1.5 %	↓ 0.8 %

Note: All estimates with an up or down arrow indicate difference is statistically different from zero at the 90 percent confidence interval.
Source: U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement.

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