



Cornell University
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Colleges of Human Ecology and Agriculture and Life Sciences
Division of Nutritional Sciences

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Each year poverty figures are anxiously awaited by policy makers and analysts, as they are used in many facets of public policy formation and social research. Poverty figures are important tools which aid in determining policies regarding everything from welfare and food stamps to health insurance. Despite changing trends in family demographics and characteristics, medical care costs, and standard of living, the current methods for determining poverty have remained virtually unchanged in the last 30 years.

The existing poverty method was developed by the USDA in the early 1960's and consists of multiplying the cost of a minimally adequate diet by three, a method that assumes that a poor family will spend a third of its income on food. During the past three decades, the poverty line has been adjusted only for inflation. In 1992 about 14.5 percent of the U.S. population was at or below the poverty level.

In 1995, the National Academy of Sciences Committee on National Statistics released a report entitled "Measuring Poverty: A New Approach." In that report, the committee recommended that the federal government redefine the way it measures poverty. Under the leadership of the Office of Management and Budget, the Census Bureau is currently undertaking a research program to examine technical methods for implementing the recommendations.

The new proposal suggests that a poverty threshold be measured according to data based on consumer spending patterns for food, clothing, and housing for the previous three years. A small percentage would be added to this figure to cover personal-care expenses, non-work transportation and other items. In addition, the report recommends the use of disposable income instead of income before taxes to assess the number of people living in poverty. This would include the value of non-cash benefits such as food stamps, school lunches and public housing. Subtracted from this income would be those expenses that cannot be used for basic needs, such as taxes, child support payments, medical costs, health insurance premiums and child-care and other work-related expenses. Implementation of these methods would have elevated the number of Americans defined as poor in 1992 to 18.1 percent of the population. The demographics of those living in poverty would also change, including, for example, more working families and people without health insurance, and fewer welfare families.

Such changes create significant technical and policy issues, such as valuation methodologies for items like school lunches, and questions about whether the income statistics should control for underreporting. The ways in which these issues are resolved will have considerable impact on current economic and social research which relies on poverty statistics.

If you would like a copy of several articles which explain more specifically some of the expected changes in poverty measurement and their possible ramifications, please send a reply to this message. In addition, the book "Measuring Poverty: A New Approach" is available at both Olin Library and the ILR Library.

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