Communication

Are Children Worse Off?

Evaluating Well-Being Using a New (and Improved) Measure of Poverty

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ABSTRACT

Although child poverty rates continue to surpass those of others, there is growing consensus that current official poverty measure has become outdated and flawed. Using data from the Current Population Survey and the Survey of Income and Program Participation, we implement an experimental poverty measure based on recommendations by a National Academy of Sciences panel. We find that while child poverty rates continue to surpass those of others, the gap between child and adult poverty rates is smaller under the experimental measure. Results highlight the impact of noncash government benefits and the Earned Income Tax Credit in reducing child poverty.

John Iceland and Kathleen Short are researchers at the U.S. Census Bureau. Thesia I. Garner and David Johnson are research economists at the Bureau of Labor Statistics. Public-use versions of the survey data analyzed here are available from the U.S. Census Bureau, Direct all correspondence and questions about the analysis to John Iceland, HHES Division, Building 3, Room 1472, U.S. Census Bureau, Washington, D.C. 20233-8500, jiceland@census.gov. *This paper reports the results of research and analysis undertaken by Census Bureau and Bureau of Labor Statistics staff. It has undergone a more limited review than official Census Bureau publications. This report is released to inform interested parties of research and to encourage discussion. The authors would like to thank Jeff Sisson and anonymous reviewers for their contributions to this article.*
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I. Introduction

There is growing consensus that the way poverty is currently measured in the United States is outdated and flawed (Citro and Michael 1995; Ruggles 1990). The current official poverty measure, originally adopted in the 1960s, consists of a set of thresholds for families of different sizes and composition that are compared to a family resource measure to determine a family's poverty status. Basically, the thresholds represent the cost of a minimum diet multiplied by three to allow for expenditures on other goods and services, and family resources are defined in terms of gross cash income.

According to the official measure, trends in child poverty are not encouraging. After a period of improvement in the 1960s, child poverty worsened over the last three decades. In 1997, 19.9 percent of children in the U.S. were poor (Dalaker and Naifeh 1998). In contrast, in 1997 the poverty rates for people aged 18–64 and the elderly were 10.9 and 10.5 percent, respectively. As of 1997, children constituted about 40 percent of the poverty population, though only about a quarter of the total population.

The official poverty rate masks the full extent of the impact of government benefits on poverty reduction because it only counts cash income in the measure of family resources, while the growth in means-tested transfers in recent decades has been overwhelmingly concentrated in noncash and tax expenditure programs, such as food stamps and the Earned Income Tax Credit (EITC) (Center on Budget and Policy Priorities 1998). Because many of these transfers are designed to help families with children, the current official poverty measure may overstate poverty among children relative to poverty among other demographic groups (Betson and Warlick 1998; Citro and Michael 1995; Short et al. 1999).

Concerns about the adequacy of the poverty measure increased during the past two decades, culminating in a Congressional appropriation for an independent scientific study of poverty measurement issues. In response, the National Academy of Sciences (NAS) established the Panel on Poverty and Family Assistance, which released its report titled *Measuring Poverty: A New Approach* in 1995 (Citro and Michael 1995). The NAS panel recommended a new measure that better reflects contemporary social and economic realities and government policy.

The NAS panel identified several major weaknesses in both the threshold and the resource definition of the current measure. The two most important ones relevant to our understanding of child poverty are: (1) The current income measure does not reflect the effects of key government policies that alter the disposable income available to families; and (2) The current measure does not take into account variation in expenses that are necessary to hold a job and to earn income, such as child-care costs and taxes. Because of these and other deficiencies, the current poverty measure does not accurately reflect the economic well-being of many people (Citro and Michael 1995).

Following the NAS Panel's recommendations, the Census Bureau released a report in 1999 with several experimental poverty measures (Short et al. 1999). This report contained a few summary statistics on children indicating that the current official measure may indeed overestimate poverty among children.

This paper builds on the NAS Panel's work and the subsequent Census report by

focusing more closely on the implications of moving to a new measure of poverty on our understanding of child poverty. We do this by exploring the elements of the new poverty measure that affect child poverty estimates in particular and calculating poverty rates using both the Current Population Survey (CPS), the current source of official poverty statistics, and the Survey of Income and Program Participation (SIPP), the recommended source of future poverty data (Citro and Michael 1995).

II. Data and Methods

We estimate poverty rates for 1992–96 using data from the March supplement to the Current Population Survey (CPS), and 1992 poverty rates from the 1992 panel of the Survey of Income and Program Participation (SIPP). A primary recommendation of the NAS panel was to make the SIPP the principal source of poverty statistics because it asks more relevant questions and obtains income data of higher quality than the CPS, but more research and development is needed on the SIPP before it can supplant the CPS in this role. Perhaps most important, the SIPP still lacks reliable tax estimates (a tax model is currently under development), which is particularly important for examining the growing impact of the EITC on experimental poverty measures. In addition, more timely release of SIPP data is also necessary.

Our analysis proceeds as follows. First, results from both the SIPP and CPS are presented comparing how the official child, adult, and elderly poverty rates for 1992 are affected by implementing various NAS panel recommendations (listed below) one at a time, highlighting the effect of government benefits in particular. Second, results are presented showing poverty rates for 1992 when all the recommendations are simultaneously implemented. We then discuss the distribution of poverty among subgroups of children in that year and trends in poverty between 1992 and 1996.

Under the experimental poverty measure, a family's resources are defined as the value of money from all sources plus the value of near-money benefits that are available to buy goods and services covered by the new thresholds, minus non discretionary expenses. Near-money benefits or tax refunds that are not counted in the official definition of income include the following: food stamps, housing subsidies, school lunch subsidies, home energy assistance, and the Earned Income Tax Credit. Expenses subtracted include: income and payroll taxes (including capital gains/losses estimates), child-care and other work-related expenses, and household contributions toward the costs of medical care and health insurance premiums (medical out-of-pocket costs).

In our SIPP poverty estimates, we also subtract from income child support payments made by the payer, and add to income the value of benefits received under the Women, Infants, and Children nutrition program (WIC) and the school breakfast program. Estimates of these three elements are not available in the CPS. In our poverty estimates using SIPP data, we do not include the effect of state taxes and capital/gains because reliable estimates are not yet available. Furthermore, our SIPP

federal income tax, Earned Income Tax Credit, and payroll tax estimates are only rough estimates which should be viewed with caution.[1]

Poverty thresholds under the experimental poverty measure are represented by a dollar amount for food, clothing, shelter, utilities (FCSU), as well as a small amount to allow for other needs (such as household supplies, personal care).[2] As the panel recommended, a threshold is developed for a reference family type consisting of two adults and two children using consumer expenditure survey data, and the reference family threshold is then adjusted, using an equivalence scale, to reflect the needs of different family types. We use a three-parameter equivalence scale in this analysis.[3] Further adjustments are made to reflect geographic differences in housing costs.[4] Finally, thresholds are updated over time based on estimates of median expenditures on FSCU items in the Consumer Expenditure Survey.

This analysis basically uses an experimental poverty measure identical to the "DES-DCM2" measure contained in the Census Bureau report, which contains a different, and arguably more refined, equivalence scale and method for valuing child-care costs than recommended by the NAS panel. See Short et al. (1999) for more details on the construction of each of the elements of this experimental poverty measure.

It is important to note that research on several elements of the experimental poverty measures—including geographic adjustments to thresholds, equivalence scales, child-care expenses, and medical out-of-pocket expenses—continues. Perhaps the element generating the most controversy is the estimate of medical-out-of-pocket expenses.[5] In general, subtracting medical-out-of-pocket expenses increases esti-

1. SIPP payroll taxes were imputed based on self-employment and wage and salary income, similar to the standard method used in the CPS. Federal income taxes and the EITC were calculated based on the assumption that all families took the standard deduction. The resulting estimates are therefore only rough approximations of total tax liabilities, particularly among higher-income families.

2. The NAS Panel recommend that thresholds should be set at between the 30th and 35th percentiles median expenditures on FCSU. In the Census Bureau report (Short et al. 1999), as in this analysis, thresholds used are at the midpoint of this range.

3. In the three parameter scale, proposed by Betson (1996), one parameter takes into account that children consume less than adults, another that there are economies of scale in larger families (as a family of six usually does not usually spend twice as much on basic needs as a three person family), and a third parameter provides more economies of scale between singles and childless couples, and more similarity between the scales for families of one parent with two children and two parents with one child, than an equivalence scale with just two parameters. Betson's scale is defined for each of three different family types as: (1) two-adult only: 1.41; (2) For single-parent families: $(a + 0.8 + p^*(c - 1))^F$; (3) and for other families: $(a + p^*c)^F$; where $p = 0.5$, and $F = 0.7$, a = number of adults in family, and c = number of children in family.

4. Following the NAS panel, we use interarea housing cost indexes calculated from 1990 Census data on gross rent. The NAS panel focused on shelter costs in the geographic adjustments because housing expenditures are the largest component of the poverty budget and because variations in housing costs are significant across regions and by population size. These indexes are produced for six population size categories within each of the nine census regions. For example, the threshold for the reference unit in a large metropolitan area in New England is 27 percent higher than the national average, while it is 15 percent lower than the national average if this family lives in a nonmetropolitan area in the West South Central region.

5. Following the recommendations by the NAS Panel, these out-of-pocket expenses are imputed to both CPS and SIPP families in this analysis based on data from the 1987 National Medical Expenditure Survey (NMES). The approach involves allocating medical expenditures to families based on characteristics of the family head and calibrating those allocations to control totals.

mated elderly poverty rates relative to those of working-age adults and children. Although there is general consensus that such medical expenses should be taken into account in a new poverty measure (Citro and Michael 1995), the precise approach is subject to future modification.

Overall, conclusions regarding child poverty rates vary only modestly regardless of the exact experimental poverty measure used (Short et al. 1999). Even if the methods of estimating medical expenses are modified in the future, conclusions in this paper about the impact of other elements in the experimental poverty measure still hold, as well as the general findings that even though the current official measure tends to overestimate child poverty rates relative to adult rates, child poverty rates still surpass those of others. We now discuss these results in more detail.

III. Results

Table 1 displays data from the 1992 CPS and SIPP on benefits and expenses that are incorporated in a refined measure of a family's disposable income. The table indicates that, according to the CPS, about 11 percent of all persons lived in families that received food stamps. Food stamp receipt is higher among poor families, and especially among poor families with children. About two thirds of CPS children—and more than three-quarters of SIPP children—lived in poor families that received food stamps. Food stamp income averaged about $2,500 in such families according to the CPS.

Subsidized school lunches are another transfer received by many children in poor families, with an average subsidy of $660 according to the CPS. Housing subsidies, although more substantial, are received by fewer families—about 23 percent, according to the CPS, and close to 31 percent in the SIPP.[6] Overall, results show that poor children are more likely to be in families that receive various types of noncash assistance than other poor people.

In general, the table also indicates that benefits in the SIPP tend to be higher than those from the CPS. This follows from the fact that the SIPP, as an income survey, is designed to do a more complete job of collecting income data (Coder and Scoon-Rogers 1996). Respondent recall tends to be better under the SIPP design, where people are interviewed every four months rather than annually as in the CPS. Finally, small differences in question wording and period of recall for the school lunch, food stamps, and energy assistance items in the surveys may play a role.

Of the expenses listed in the table, work-related expenses and medical out-of-pocket costs tend to be incurred by a high proportion of most types of families, and the amounts are quite substantial. Child-care expenses are also substantial, with more

6. Different methods were used for estimating housing subsidies in the SIPP and CPS analyses. In the CPS poverty measure, estimates are calculated using statistical models based on the data from the American Housing Survey. In the SIPP measure, subsidies are estimated based on county-level Fair Market Rents (FMR) for housing units of different sizes.

than 10 percent of people living in families that report such expenses, according to the CPS.[7] Finally, although taxes tend to impose a substantial financial burden on a majority of families, poor families pay considerably less. In fact, many poor families (about half of poor children's families) get tax relief in the form of the EITC, according to both CPS and SIPP estimates.

Table 2 shows the impact of each resource addition or subtraction on the poverty rates for each of three age groups—children, adults 18-64, and the elderly. These measures provide an incremental view of the effect of each recommended change. The last two rows of Table 2 also show the complete experimental poverty rates and how they differ from the official ones.

Looking at various elements that add to a family's income (noncash government benefits, the EITC, and capital gains), we find that food stamps and the EITC tend to have the biggest impact on poverty rates. The marginal effect is such that the poverty rate declines from 14.8 percent to 14.1 when each of these two sources of income are added separately to the official resource measure, according to data from the CPS. Housing subsidies alone have a modest estimated impact, lowering the poverty rate from 14.8 to 14.4 percent.

There is some variation by age group. Food stamps have the biggest impact on child poverty rates (lowering the child poverty rate from 22.3 to 21.0, according to CPS data). The EITC and housing subsidies also exhibit a substantial impact on children. For all age groups, the measured impact of additions to resources is larger using data from the SIPP than data from the CPS. As discussed earlier, this in part reflects better coverage of income sources and receipt in the SIPP survey.

Regardless of the source of data, the overall impact of adding income from the various sources listed to a measure of family resources is to lower poverty rates of children more than the rates of other groups. According to the CPS, the marginal effect of including all additions in the family resource definition is to lower the child poverty rate by about 20 percent, versus about 16 percent reductions among working-age adults and the elderly. With SIPP data, the decrease in the poverty rate is 38 percent among children, versus about 29 percent for the other two groups.

Of the expenses listed in Table 2, subtracting medical out-of-pocket costs from family incomes clearly has the largest effect on poverty rates. Using CPS figures, we find that the poverty rate rises from 14.8 percent to 17.9 percent when medical-

7. Differences in child-care expenses between the two surveys result from differing methods of imputing such costs. In the SIPP, we use actual reports of child-care expenses as indicated in a wave six topical module on child care, though then only subtracting expenses from the families where both parents (or the parent in a single-parent family) work and which include children younger than 12 years old. As the NAS panel recommended, we also put a cap on expenses equal to the maximum allowed under child care tax credit, or the earnings of the parent with the lower earnings (whichever is lower). In the CPS poverty measure, we deduct child-care expenses by: (1) imputing who incurred child-care costs among families with working parents and children under 12 based on a few family characteristics; and (2) subtracting a weekly amount, based on previous AFDC child-care deduction guidelines, for each week worked by the parent who worked the fewest weeks in the previous year. Short et al. (1999) contains more details on this method. Research continues on various methods of estimating child-care expenses in experimental poverty measures (Iceland 2000).

Table 1
Family Benefits and Expenses, 1992

	All Persons		Poor Persons		Children		Poor Children	
	CPS	SIPP	CPS	SIPP	CPS	SIPP	CPS	SIPP
Food stamps								
Percentage receiving	10.8	13.0	50.1	64.7	19.2	22.1	65.5	79.0
Mean amount	1,889	1,958	2,159	2,554	2,262	2,384	2,505	2,931
School lunches								
Percentage receiving	31.9	18.1	48.3	56.7	59.5	35.3	72.9	78.5
Mean amount	296	442	612	578	348	500	660	626
School breakfasts								
Percentage receiving	NA	10.1	NA	37.2	NA	20.3	NA	52.3
Mean amount	NA	175	NA	240	NA	195	NA	256
Housing subsidies								
Percentage receiving	4.2	4.6	18.5	25.6	6.6	7.4	23.0	30.7
Mean amount	2,015	3,145	2,460	3,806	2,248	3,541	2,561	4,057
Energy assistance								
Percentage receiving	3.8	5.7	17.6	28.1	6.1	8.7	21.4	32.3
Mean amount	208	238	210	233	225	241	223	238
Women, infants, and children assistance								
Percentage receiving	NA	5.6	NA	22.6	NA	10.2	NA	30.4
Mean amount	NA	376	NA	418	NA	400	NA	431
Child care expenses								
Percentage with expense	11.5	8.4	8.5	4.0	20.9	13.8	13.1	5.4
Mean expense	2,794	2,668	2,431	1,890	2,912	2,745	2,514	1,960

Other work-related expenses								
Percentage with expense	84.4	83.9	55.1	57.2	89.9	90.3	59.1	61.5
Mean expense	1,147	1,182	605	629	1,092	1,173	616	619
Child support paid								
Percentage with expense	NA	3.0	NA	1.4	NA	3.2	NA	1.5
Mean expense	NA	4,013	NA	2,750	NA	3,908	NA	2,967
Medical out-of-pocket expenses								
Percentage with expense	93.6	93.7	78.7	76.4	92.7	92.9	77.3	76.1
Mean expense	2,458	2,525	1,775	1,782	2,493	2,443	1,751	1,635
Federal income taxes								
Percentage with expense	74.4	74.0	3.8	2.1	70.6	73.6	2.2	1.0
Mean expense	6,118	7,005	291	146	5,789	6,559	424	205
State income taxes								
Percentage with expense	66.2	NA	13.8	NA	63.8	NA	13.3	NA
Mean expense	1,930	NA	121	NA	1,900	NA	140	NA
Social security taxes								
Percentage with expense	81.9	83.9	54.3	57.3	87.6	90.3	58.9	61.7
Mean expense	2,986	3,321	561	598	2,930	3,299	611	622
Earned income tax credit								
Percentage receiving	15.4	13.8	37.6	38.5	27.0	25.4	51.6	48.3
Mean amount	841	772	991	886	841	774	983	877
Capital gains (or losses)								
Percentage with gain/loss	14.1	NA	2.8	NA	12.8	NA	2.5	NA
Mean amount	6,383	NA	1,374	NA	7,079	NA	1,548	NA
Unweighted N	155,019	45,390	23,175	5,242	42,723	12,983	9,596	2,366

NA Not available.

Note: mean amounts refer to the mean amount among those who reported having such receipts/expenses. Also note that the unit of analysis here is people, but the benefits and expenses are measured at the family level.

Source: U.S. Census Bureau, 1993 Current Population Survey March supplement and 1992 Survey of Income and Program Participation

Table 2
The Effect of Various Elements of the Experimental Poverty Measure on Poverty Rates, 1992

	All Persons		Children		Adults 18–64		Elderly	
	CPS	SIPP	CPS	SIPP	CPS	SIPP	CPS	SIPP
Poverty rate using the official definitions	14.8	11.9	22.3	19.0	11.9	9.4	12.9	8.7
Poverty rates using official thresholds but adding to resources:								
Food stamps	14.1	10.9	21.0	17.3	11.4	8.6	12.4	8.1
School lunch subsidy	14.6	11.6	21.9	18.4	11.8	9.2	12.9	8.7
School breakfast subsidy	NA	11.8	NA	18.9	NA	9.3	NA	8.7
Housing subsidies	14.4	11.0	22.0	17.7	11.6	8.7	11.4	7.0
Energy assistance	14.8	11.8	22.3	18.9	11.9	9.3	12.8	8.5
WIC subsidy	NA	11.8	NA	18.8	NA	9.3	NA	8.6
Earned income tax credit	14.1	11.3	21.1	17.8	11.4	8.9	12.9	8.7
Capital gains (or losses)	14.8	NA	22.3	NA	11.9	NA	12.9	NA
All additions	12.2	8.0	17.9	11.8	10.0	6.7	10.8	6.3
Percentage change in poverty rate with all additions	−17.6	−32.5	−19.9	−37.6	−15.8	−29.0	−16.3	−27.8

Poverty rates subtracting from resources:								
Child care expenses	15.2	12.0	23.1	19.3	12.2	9.5	12.9	8.7
Other work expenses	15.7	12.7	23.5	20.2	12.9	10.2	13.0	8.7
Child support paid	NA	11.9	NA	19.0	NA	9.4	NA	8.7
Medical expenses	17.9	15.3	25.1	22.1	14.1	11.7	21.7	18.4
Federal income taxes	14.9	12.0	22.4	19.0	12.0	9.5	12.9	8.7
State income taxes	14.9	NA	22.5	NA	12.0	NA	12.9	NA
Social security taxes	15.9	12.9	24.1	20.7	12.9	10.3	13.0	8.7
All subtractions	21.7	18.8	30.5	26.8	17.8	15.3	22.3	18.8
Percentage change in poverty rate with all subtrations	46.6	58.3	36.9	41.5	49.4	63.0	73.1	116.7
Poverty with official resource measure but with new thresholds	14.6	11.9	21.7	18.9	11.8	9.4	13.0	8.9
Percentage change in poverty with these elements	−1.4	0.0	−2.7	−0.4	−0.8	−0.1	1.1	2.4
Experimental poverty rates	19.0	14.4	25.6	18.5	15.7	12.1	21.0	17.2
Percentage difference from official rates	28.4	21.4	14.8	−2.2	31.9	29.4	62.8	98.4

NA Not available.
Source: U.S. Census Bureau, 1993 Current Population Survey March supplement and 1992 Survey of Income and Program Participation

out-of-pocket costs are subtracted from resources. Also of note are the effects of Social Security taxes and work-related expenses on poverty rates. They raise the poverty rate from 14.8 percent to 15.9 percent and 15.7 percent, respectively, according to CPS figures. The pattern among children and working-age adults tends to follow the overall pattern. Among the elderly, however, the only expenses that have a substantial effect on poverty are medical out-of-pocket expenditures. The impact of these is very large, as a relatively high proportion of the elderly use medical services and incur such expenses (Short et al. 1999).

Subtracting expenses from family's resources tends to increase poverty among children less than it increases poverty among other age groups, in part because of relatively higher initial poverty rates among children, which produces smaller relative effects, and also the smaller impact of medical-out-of-pocket costs. According to CPS data, subtracting expenses increases the child poverty rate by 37 percent; the increase among working-age adults is 49 percent, and among the elderly it is 73 percent—the last figure again largely reflects the considerable effect of medical expenses among the elderly.

Table 2 also shows poverty rates using the official income definition, but with new thresholds, equivalence scales, and geographic adjustments to the thresholds, as discussed in the methods section. The overall effect of the experimental thresholds on poverty rates is modest for all age groups.

The last two rows in Table 2 display the result of the experimental poverty measure, by survey, when all the recommendations are implemented simultaneously. The data from the CPS indicate that, for all age groups, poverty is higher under the experimental measure, as defined here, than under the official measure. The CPS experimental poverty rate is 19.0 percent—28.4 percent higher than the official rate.

It is important that the percent change in the poverty rate using the experimental versus the official measure is smaller for children than for working-age adults and the elderly. Among children, the poverty rate rises from 22.3 percent under the official measure to 25.6 percent under the experimental measure, a 14.8 percent increase. The corresponding increases for working age adults and the elderly are 31.9 percent and 62.8 percent, respectively. Thus, this analysis confirms the notion that the restricted definition of resources under the current official poverty measure *overstates* the material disadvantage of children relative to other age groups. This finding supports recent work by Betson and Warlick (1998) and Short et al. (1999), who find that the poverty gap between children and the elderly is narrowing, not widening, when an expanded definition of family resources is employed.

Yet it is important to note that child poverty rates under the experimental measure still surpass the poverty rates of the other two age groups, even if the increase in the experimental measure versus the official rate is smaller among children. The CPS estimate indicates that a quarter of children lived in poverty in 1992.

Poverty rates for all groups are somewhat lower when measured with SIPP data. Poverty rates under the SIPP experimental measure range from 12.1 percent for adults to 18.5 percent among children, who once again display the highest poverty rate. The more expansive definition of resources, coupled with thorough reporting of noncash benefits in the SIPP, account for much of this.

Table 3
Child Poverty Rates by Various Characteristics, CPS 1992

	Official Poverty Measure	Experimental Measure	Percent Difference in Poverty rates
All children	22.3	25.6	14.8
Race/ethnicity			
Non-Hispanic white	13.2	15.9	20.5
Non-Hispanic black	46.6	48.0	3.0
Hispanic	40.1	48.5	20.9
Other	20.5	24.3	18.5
Family Type			
Married-couple	11.3	14.9	31.9
Male-headed (unmarried)	27.2	35.8	31.6
Female-headed (unmarried)	55.4	56.7	2.3
Education of household head			
Less than high school	51.7	56.2	8.7
High school	23.5	27.6	17.4
Some college	13.6	16.1	18.4
College graduate	4.0	6.1	52.5
Post-graduate	2.1	3.6	71.4
Parents' work status			
No working parent present	91.1	85.9	−5.7
Working parent present	15.2	19.3	27.0
Age of child			
0–2	27.3	32.6	19.4
3–5	25.5	30.1	18.0
6–11	21.6	24.1	11.6
12–17	18.6	20.8	11.8

Source: U.S. Census Bureau, 1993 Current Population Survey March supplement

A. Child Poverty by Selected Demographic Characteristics

Table 3 displays poverty rates calculated for various subgroups of the population for 1992 using the official and experimental measures estimated with CPS data.[8] It shows that estimated experimental poverty rates are not as much higher relative to the official measure among Black children than among others. Further analysis (not shown) indicates that greater receipt of noncash government transfers and lower average medical-out-of-pocket expenses of black families with children who are poor under the official measure account for this.

8. Demographic patterns are fairly similar when using SIPP data.

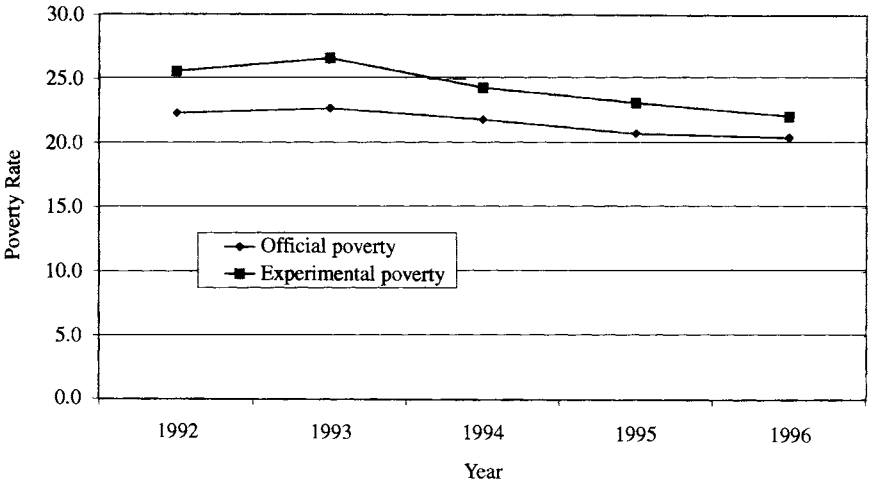

Figure 1
CPS Official and Experimental Child Poverty Rates, 1992–1996. Source: U.S. Census Bureau, 1993–1997 Current Population Survey March supplements

The experimental measure also produces higher estimated poverty rates for children in married-couple families and single-parent male householder families, but fairly similar rates for those in female-headed families with no spouse present, than we see under the official measure. Married-couple and male-headed families have considerably higher experimental poverty rates in part because they are less likely to receive government transfers than single-parent female householder families.

Results also indicate higher estimated poverty rates under the experimental measure than under the official measure for children in families with workers and in families headed by more highly-educated householders. These families tend to receive fewer government transfers and incur higher work-related expenses. They also have relatively high out-of-pocket medical expenses.

B. Time Trends

We examined trends in poverty over the 1992 to 1996 period. Figure 1 shows that the experimental and official poverty rates for children follow the same general trend, rising in 1993 before falling for three consecutive years from 1994 to 1996. The experimental rate fell at a slightly faster rate, however, mainly because the receipt of benefits among children's families who are poor under the official measure rose by more than the modest increase in nondiscretionary expenses over the time period. By far the most significant increase in these benefits over the period occurred in the EITC program. Poor children lived in families which received, on average, more than $700 dollars more in EITC tax credits in 1996 than in 1992 (in constant 1992 dollars).

IV. Conclusion

This analysis addresses the issue of how our view of child poverty would differ if a new, refined poverty measure were adopted. We base the implementation of the experimental poverty measure on research of the NAS Panel on Poverty and Family Assistance (Citro and Michael 1995), and a subsequent Census Bureau report (Short et al. 1999).

We find that experimental poverty rates tend to be higher than official poverty rates, and that child poverty rates, by any measure, continue to surpass those of both working-age adults and the elderly. However, the gap between child and adult poverty rates is smaller under the experimental measure. This reflects the finding that combined effect noncash government transfers and the EITC have a larger poverty-reducing effect on children than on others, and subtracting expenses produces smaller poverty increases among children than others. Of the government transfer programs not accounted for in the official poverty measure we examined, food stamps, the EITC, and housing subsidies have the biggest impact on reducing child poverty rates under the experimental measure. The estimated impact of benefits is even larger when using SIPP data than CPS data, in part due to more thorough reporting of benefits in the SIPP.

We also find that moving to an experimental poverty measure would have implications for the composition of the child poverty population. Black children would comprise a slightly smaller proportion of the child poverty population, in part because of greater receipt of benefits and lower medical out-of-pocket expenses than other families. Similarly, the current official poverty measure tends to underestimate poverty among children in married-couple families, and overstate poverty among children in female-headed families, because of lower receipt of benefits and higher work-related expenses among the former group.

We also find that the experimental and official poverty rates follow the same general time trend, rising from 1992 to 1993 before falling from 1994 to 1996. The experimental rate fell at a faster rate in the latter period, however, reflecting increases in the EITC program. In this way, the experimental poverty measure more accurately captures the impact of both economic conditions and government policy than the current official measure.

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