The New York Times, September 26, 2003, Section A; Page 25; Column 1; Editorial Desk

Who's Poor? Don't Ask the Census Bureau

Jared Bernstein is a senior economist at the Economic Policy Institute.

Today the Census Bureau will release the official poverty rate for 2002. While that figure is likely to indicate that the ranks of the poor have increased, it unfortunately won't really tell us much of anything about the true extent of poverty in America. The problem is that the official definition of poverty no longer provides an accurate picture of material deprivation. The current measure was created 40 years ago by a government statistician, Mollie Orshansky, and hasn't much changed since. "Anyone who thinks we ought to change it is perfectly right," Ms. Orshansky told an interviewer in 2001.

The current procedure takes the 1963 poverty thresholds for each given family size devised by Ms. Orshansky and updates them for inflation. For example, if the income of a family of four with two adults and two children fell below $18,244 last year, they were counted as poor by the bureau. Simple, yes, but there are two basic problems.

First, it fails to capture important changes in consumption patterns since the early 1960's. The research underlying the original thresholds was based on food expenditures by low-income families in 1955. Since her calculations showed that families then spent about a third of their income on food, Ms. Orshansky multiplied a low-income food budget by three to come up with her poverty line. But even she suspected this method underestimated what it took to meet basic needs, and was thus low-balling the poverty rate. And that mismeasurement has worsened over time, as food has become less expensive in relation to other needs like housing, health care and transportation, meaning the share of income spent on food by low-income families has fallen further.

The National Academy of Sciences has estimated what the Orshansky measure would look like today if it were updated for changes in consumption patterns, and found the threshold could be as much as 45 percent higher, implying higher poverty rates.

Second, the current measure leaves out some sources of income and some expenditures that weren't relevant when it was devised. The Census Bureau counts the value of cash transfers, like welfare payments, but it ignores the value of food stamps and health benefits, as well as newer tax credits that can significantly add to the income of low-end working families. Not only would taking these additions into consideration bring down the poverty rate figure, it would also provide a real measure of the effects of these antipoverty programs. On the other side of the ledger, the current method also ignores important costs to low-income families. For example, these days many more women with young children participate in the labor force, yet the money they spend on child care is not factored into the poverty calculation.

If the Census Bureau's poverty findings were simply an accounting tool, these failures might not be important to anyone but economists and demographers. But the official figure plays an important role in determining eligibility for the federal and state safety nets: if we're not getting the measurement right, we're not providing services to the right people.

There is a better way, but of course it's a political hot potato. Census Bureau analysts have been working on alternative measures that take into account the changes in family life over the past four decades. The one I consider most reliable, because it factors in child-care costs for working parents, has shown poverty rates that average about 3 percent above the official figure, implying that there may be 9 million more Americans whose incomes are inadequate for their basic needs.

Of course, no administration would want to adopt such a measure on its watch. The Census Bureau, to its credit, says it will release a few of its alternatives to the official measure today (although not one that adequately considers child-care costs), which may help poverty analysts get a more accurate picture. Still, the public and the news media will focus on the outdated official measure.

While this may provide a vague sense that our poverty problem has worsened, it won't tell people as much as we could or should know about poverty in America.