

# A New Approach to Measuring

# POVERTY

The Official Poverty Measure (OPM) was designed in the early 1960s and officially adopted in 1969. But it was never intended to be anything more than a temporary solution to the problem of measuring poverty. Not until the 1990s did work begin on developing a new method for measuring poverty and only this year did the Census Bureau publish its initial set of supplemental poverty estimates. The new supplemental poverty measure addresses problems inherent in the official poverty measure and provides a new perspective on the numbers of those in poverty based on age, race, and ethnicity.

For each household size, the OPM threshold is set by estimating the minimum cost of a nutritionally adequate diet and multiplying this figure by three. But this measure has several shortcomings: It does not take into account public assistance benefits received, job-related expenses, child support payments, and differences in prices around the country, just to name the most important deficiencies. The new supplemental measure offers an improvement upon the official definition by taking into consideration the aforementioned shortcomings.

Looking at the OPM and the supplemental poverty measure side by side reveals several interesting differences. The official measure overstates the percentage of children under 18 in poverty by more than four percentage points as compared with the supplemental measure. At the other

end of the age spectrum, the official measure understates the percentage of people 65 and older in poverty by nearly seven percentage points relative to the supplemental measure. For all age groups, the new supplemental poverty measure puts the percentage of those in poverty at 16 percent while the official measure puts it at 15.2 percent.

The new and old measures of poverty also differ by race and Hispanic origin. For Whites, Non-Hispanic Whites, Asians, and Hispanics of any race, the supplemental measure places a higher percentage in poverty relative to the official measure. The only racial group that saw a decrease from the official measure to the supplemental measure was Blacks, who saw a decrease in the percent in poverty by more than two percentage points.

The supplemental poverty measure addresses the need to have a poverty measure that more accurately accounts for the receipt of financial and in-kind resources and regional differences in the cost of living. However, the new measure is not intended to replace the OPM. The official measure is found explicitly in legislation that determines eligibility for various government programs and is used for the purpose of administering these programs. Instead, the primary purpose of the new measure is to provide more accurate information about the economic well-being of those with the lowest incomes, measured at the level of the nation and large regions. ●

## Poverty by Race Comparing the



## Poverty by Age: Comparing the New and Old Measures



## and Hispanic Origin: New and Old Measures



Source: Current Population Reports (P60-241), U.S. Census Bureau.