

Statement submitted to the Commission on Evidence-based Policymaking
Public Meeting, February 9, 2017
San Francisco, CA

Submitted by: David S. Johnson, Research Professor and Director of the Panel Study of Income Dynamics, University of Michigan¹

Co-signers: Rebecca Blank (University of Wisconsin – Madison), Sheldon Danziger (Russell Sage Foundation), Kathryn Edin (Johns Hopkins University), Irv Garfinkel (Columbia University), David Grusky (Stanford University), Michael Laracy (Annie E. Casey Foundation), Luke Shaefer (University of Michigan), Timothy Smeeding (University of Wisconsin – Madison), Laura Speer (Annie E. Casey Foundation), Jane Waldfogel (Columbia University), Renee Wilson-Simmons (National Center for Children in Poverty, Director), Christopher Wimer (Columbia University), James P. Ziliak (University of Kentucky)

The timing for a bipartisan commission on developing evidence-based policymaking is almost prescient. Many of us have been involved with the process of creating this commission, and we thank Speaker Paul Ryan and Senator Patty Murray, Chair Katharine Abraham, Co-Chair Ron Haskins and all of the Commissioners on their work and dedication to this important goal – *“...developing a bipartisan strategy to ensure that evidence increasingly informs the important decisions that affect the lives of Americans.”*

Our purpose in this statement is to focus on three points:

- Support and independence must be provided to the federal statistical agencies to *“improve statistical protocols”* for producing timely, accurate and relevant statistics, specifically, the Supplemental Poverty Measure (SPM).
- Support must be provided to statistical agencies for the continued production of the SPM, as it is the only official statistic that measures the effectiveness of government tax, transfer, and social insurance programs.
- Support must be provided to construct a data infrastructure that facilitates linkages between survey and administrative data, which can be used to improve the SPM.

Our request is slightly different than many of the other statements to the Commission. We focus on the Commission goals related to improving statistical data series and statistical protocols as described in the Commission’s charge.² These common protocols and commonly accepted statistical indicators are critical. As Katherine Wallman, the recent Chief Statistician of the U.S., stated in last week’s Guardian article (Chalabi (2017)), *“We should all be starting from the same*

¹ Contact info: Survey Research Center, 426 Thompson St. Room 3234, Ann Arbor, MI 48106; johnsods@umich.edu

²*“(1) determine the optimal arrangement for which administrative data on Federal programs and tax expenditures, survey data, and related statistical data series may be integrated and made available to facilitate program evaluation, continuous improvement, policy-relevant research, and cost-benefit analyses by qualified researchers and institutions while weighing how integration might lead to the intentional or unintentional access, breach, or release of personally-identifiable information or records; (2) make recommendations on how data infrastructure, database security, and statistical protocols should be modified to best fulfill the objectives identified in paragraph (1).”*

numbers. I think that's a fear that many of us have at this point - it's that picking and choosing your numbers to suit your politics is not the way that we ought to be doing it."

Importance of Federal Statistics

The white paper presented to the Commission as background, "Using Administrative and Survey Data to Build Evidence,"³ stressed the importance of the foundational evidence represented in aggregate indicators as one key component of evidence-based information; the SPM and the Principal Federal Economic Indicators (PFEI) are key foundational evidence. The other white paper, "Overview of Federal Evidence-Building Efforts," describes the responsibilities of statistical agencies, which include producing reliable data, accurate and objective statistics, and protecting. Without a statistical system that can work in this framework, the task of building a data infrastructure to improve statistics will be difficult, if not, impossible.

The country's need for reliable and trustworthy statistics on the economic well-being of the nation is critical. This can only be accomplished with official statistics, government survey collection,⁴ and data integration with government administrative data. In fact, the recent National Academies of Science's Committee on National Statistics report (Groves and Harris-Kojetin, 2017) states it best – "*Federal statistics provide critical information to the country and serve a key role in a democracy.*"

The need for reliable and trustworthy statistics are summarized in a variety of Statistical Policy Directives issued by OMB, and in a sense, provide guidelines for the statistical protocols used in the statistical system. Statistical Policy Directive 1 ensures the quality and independence of the statistical agencies. Statistical Policy Directives 3 and 4 provide guidance in the dissemination of the principle federal economic indicators, and other important foundational evidence.

The Importance of Poverty and the SPM

The poverty measure has an elevated distinction as recognized by OMB Statistical Policy Directive 14. Even before these important directives (1, 3 and 4) were issued by OMB, Statistical Policy Directive 14 (released in 1978) instructed the Census Bureau to produce an official poverty measure, and stated: "*Other measures of poverty may be developed for particular research purposes.*" It is essential that a poverty measure reveals the effect of major income support programs designed to aid the poor. Many such programs, however, are excluded from the official poverty measure. Such programs include housing supports, major food and nutrition programs, and refundable tax credits. Only the SPM can provide evidence on these major social programs.

Because the official poverty measure does not account for any of the government tax and in-kind transfer programs, it does not provide an accurate view of the financial status of low-income

³ See links for white papers, https://obamawhitehouse.archives.gov/sites/default/files/omb/mgmt-gpra/using_administrative_and_survey_data_to_build_evidence_0.pdf and https://obamawhitehouse.archives.gov/sites/default/files/omb/mgmt-gpra/overview_of_federal_evidence_building_efforts.pdf

⁴ See Joe Hotz's statement to the CEP on Jan 5, 2017, where he stresses the importance of government survey data.

people. It only includes direct cash social insurance (e.g. Social Security and Unemployment Insurance) and welfare (e.g. Temporary Assistance for Needy Families and Supplemental Security Income) programs. As such, any changes in benefits from the Supplemental Nutrition Assistance Programs (food stamps) or tax credits like the Earned Income Tax Credit and Additional Child Tax Credit will have no direct impact on the poverty rate, even though outlays on these programs far surpass those of the means-tested cash transfer programs. In addition, the official poverty threshold, the dollar amount such that families with income below it are poor, was based on food spending in the 1960s, updated with inflation until today. But housing today, not food, is the single largest element of households' budgets. The official thresholds are also the same for San Francisco and Merced, and New York City and rural Mississippi. Finally, the official poverty measure does not account for the income sharing between a single parent and a live-in partner – they could both be poor under the official measure even though they live together and share resources.

The SPM has been developed over the past 25 years with bipartisan participation by researchers and policymakers, and remedies the flaws in the official poverty measure. The main impetus for the new measure arose out of the National Academy of Sciences report, *Measuring Poverty: A New Approach*, released in 1995. In this report, a bipartisan and distinguished group of academics and researchers (Rebecca Blank and Sheldon Danziger, both co-signers today, were members of the panel) agreed on recommendations for a new method to measure poverty in America. This new measure has been examined by many bipartisan groups, including meetings at The Brookings Institution, American Enterprise Institution, and Wisconsin's Institute for Research on Poverty. All along the process, these discussions were guided by the direct involvement and continued research at the federal agencies, especially BLS, Census and OMB.

Three events solidified the support for an SPM measure – Rebecca Blank's Presidential Address at APPAM that suggested that the new measure be a supplement for, and not a replacement of, the official poverty measure; Mayor Bloomberg's call for the Center for Economic Opportunity to produce an alternative poverty measure to provide more accurate evidence for NYC; and the proposed Congressional legislation, the Measuring American Poverty Act. These activities centered the discussion on using a common supplemental poverty measure in conjunction with the official measure.

Finally, in 2010, the President proposed funding for the SPM in the 2011 Budget, and OMB issued guidance via the Interagency Technical Working Group. The detailed Department of Commerce congressional budget stressed the importance of the new measure for evidence-based policymaking stating: *“A more accurate measure of poverty will provide policymakers with more accurate information for modeling changes to their programs and improving the evaluation of the effectiveness of programs for the disadvantaged. Poverty is a critical indicator of how widely prosperity is shared in our economy and is a benchmark for targeting resources toward the disadvantaged.”*⁵

The SPM is much more accurate than the current official poverty measure, which has been basically unchanged since its inception in 1968. Even Adam Smith realized the importance of defining poverty in terms of the conditions of the day *“...a creditable day-laborer would be*

⁵ See <http://www.osec.doc.gov/bmi/budget/11CJ/Census%2011%20portrait%20final.pdf>

ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty...” Yet the official poverty thresholds are based on food costs from the 1960s.

Unlike the official measure, the SPM thresholds are updated to reflect a current basket of necessities (based on food, clothing, shelter and utilities), different thresholds are created for different living arrangements, for renters vs owners, and for differences in the cost of living across geographic areas.⁶ Poverty is determined by combining all of the income from spouses and cohabiting partners and includes all children, as opposed to the official measure. As mentioned earlier, income includes not just cash income but also the value of government in-kind transfers as well as tax credits (and tax payments). Finally, the market basket continues to be relevant for the current period.

In addition to a much more inclusive definition of resources, the SPM also takes into account the increasing costs of health care and child care and work-related expenses. As such, it is definitely a *“more accurate measure of poverty”* as stated in the Commerce Department budget (mentioned above). Because the SPM is annually published by the federal statistical agencies,⁷ it represents a critical component of the foundational evidence required to determine the effectiveness of policy.

The SPM also changes our perception of the poor – who they are. Due to the inclusion of in-kind transfers and refundable tax credits, children and single parent families are a smaller fraction of the poor. With child care and work-related expenses, workers are a larger share of the poor under the SPM, as well as families spending on private health insurance. The SPM demonstrates that people living in poverty are not just those without any income. Just as Adam Smith recognized, it takes more to live in today’s society.

As Speaker Ryan (when he was chair of the House Budget Committee) stated in his budget document, “Economic Opportunity in America,” July 2014,⁸ (where he introduced the concept of the Commission), *“The first task is to determine how we should define progress,”* and he continued by suggesting that the official poverty measure was flawed, and that the SPM would better measure the progress of poverty, and even stating, *“Using more comprehensive poverty measures strengthens this case. Using the SPM, Wimer et al show that child poverty plummeted beginning in 1994.”*⁹

Since its inception in 2010,¹⁰ there has been extensive research using the SPM to evaluate government programs. The 2014 Economic Report of the President highlighted the SPM in their chapter on the War on Poverty to demonstrate that with government programs we have not lost the War on Poverty as the flat trend of the official poverty measure suggests. In addition, the bipartisan report, “Opportunity, Responsibility and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream,” (on which Ron Haskins was a coauthor)

⁶ Garner (2010) discusses the details of the SPM thresholds.

⁷ See Renwick and Fox (2016) for the most recent publication.

⁸ See http://budget.house.gov/uploadedfiles/expanding_opportunity_in_america.pdf

⁹ See also Winship (2014) for support for using the SPM.

¹⁰ Short (2011) is the first official report that produces an SPM.

highlighted the SPM as the preferred poverty measure, by a wide spectrum of policy researchers, in evaluating the trends in poverty and the impact of government tax and transfer programs. The attached reference list shows many papers that examine the impact of the SPM on the poverty rates of a variety of demographic groups, including the official publications at the Census Bureau and BLS.

Recent research shows that only in using the SPM can we measure the impact of public policy. For example, Bitler, Hoynes and Kuka (2016) demonstrate the impact on child poverty reduction from the social safety net using an SPM-like measure, and Wight, Kashal and Waldfogel (2014) show that the SPM finds impacts on very low food security for children.

Finally, some of the most important work that uses the SPM, in conjunction with the American Community Survey, to measure the effectiveness of government programs has been conducted at the state and local levels. The Center for Economic Opportunity in NYC has led the way on developing an SPM for NYC. In fact, Mayor DeBlasio initiated the OneNYC project that includes poverty reduction goals using their SPM.¹¹ For example, NYC has also used the SPM to evaluate the effects on poverty for workers negotiating wage contracts and to inform the Mayor's housing policy on annual rent changes in regulated units.

Wisconsin and California also have state-specific SPMs, which are used to determine effectiveness of state-specific policies like state-level EITC and child care. For example, in California the state level SPM has been used to evaluate the expansion of the California EITC, showing that this expansion will "...increase the resources of a substantial number of Californians living in poverty and deep poverty."¹² Oregon and Minnesota have worked to develop measures, the Urban Institute has initiated a number of projects with states (Minnesota, Connecticut, Georgia, Illinois, and Massachusetts), and the Center on Poverty and Social Policy at Columbia University provides the SPM for all states.¹³

Importance of Administrative and Survey Data Linkages

The SPM is well-positioned to be an example of an economic indicator that integrates survey and administrative data, while highlighting the importance of the new data infrastructure. All of the state-level SPMs already adjust their estimates using the state-level administrative data on program participation to ensure that the aggregate benefits in the survey match the state totals (e.g., SNAP and housing). The Urban Institute's TRIM model has been using integrated data to model improved estimates of SNAP and TANF in the SPM (see CBPP).

It is widely known that the government surveys do not completely account for all government transfer programs; many respondents mis-report or under-report their benefits. Recent research by Meyer, Mok and Sullivan (2015) documents this for a variety of surveys, especially the amounts of income from government transfer programs.

¹¹ See also Matthew Klein's statement to the CEP on Nov 4, 2016

¹² See <http://inequality.stanford.edu/sites/default/files/EITC-california.pdf>

¹³ See <https://www.povertycenter.columbia.edu/data-release/2016/8/23/historical-spm-data>

Meyer and Mittag (2015) demonstrate that the under-reporting for SNAP creates a downward bias in the estimate of the poverty reduction impact of SNAP. Integrating the administrative data on SNAP with the survey data on other income shows that SNAP is much more effective at reducing poverty than shown in uncorrected survey data. Hence, this data infrastructure with all State-level SNAP benefits (and other programs such as WIC and TANF) will provide much better foundational evidence on the effectiveness of these programs.

Alternatively, Hokayem, Bollinger and Ziliak (2015) show that earnings are over-reported for low income families in the surveys as compared to their earnings records at IRS and SSA. By integrating survey and administrative data, they demonstrate that poverty is higher than shown in the official measure, suggesting such a correction would similarly show higher poverty in the SPM. Hence data infrastructure that included administrative earnings and income data would improve the estimates provided by the SPM.

Because of this under-reporting and measurement error in income surveys, some researchers suggest that using a consumption-based measure of poverty may be more accurate (see Meyer and Sullivan, 2012). While multiple poverty measures would help to assess the poverty trends and composition of the poor, the SPM is currently the only official measure that can account for the impact of government programs on a timely basis. Hence, we believe that the focus should be on improving the measure of income in the SPM. This is also supported in the recent legislation proposed by Senator Mike Lee, the Poverty Measurement Improvement Act, which recommends the data linkages necessary to obtain an improved measure of resources. As a result, building on the current data infrastructure that exists in the federal statistical agencies is the best method to further statistical protocols and highlight the SPM as critical foundational evidence.

Recommendations

We recommend that the Commission's report include a statement that OMB should continue support and funding to Census and BLS to produce the SPM alongside the official poverty measure.

We recommend that the Commission's report encourage statistical agencies to use the integration of survey and administrative data to improve the measure of resources and thresholds in the SPM, and in national statistics more generally.

We recommend that the Commission's report include a statement supporting statistical analysis and research at statistical agencies.

References

Annie E. Casey Foundation, “Measuring Access to Opportunity,” Annie E. Casey Foundation kids count data snapshot, February 2016

Ben-Shalom Y, Moffitt R, Scholz JK. An assessment of the effectiveness of anti-poverty programs in the United States. 2011

Betson, D., Giannarelli, L. and Zedlewski. S, 2011. A summary of the Workshop on State Poverty Measurement Using the American Community Survey, April 1, 2011

Bitler, M., Hoynes, H. and Kuka, E., “Child Poverty, the Great Recession, and the Social Safety Net in the United States,” NBER Working Paper No. 22682, September 2016

Blank, R. (2008), “Presidential Address: How to Improve Poverty Measurement in the United States,” *Journal of Policy Analysis and Management* Vol 27:2, 233-254.

Bohn, S., Danielson, C., Levin, M., Mattingly, M. and Wimer, C., “The California Poverty Measure: A New Look at the Social Safety Net,” PPIC publication, October 2013.

Brookings/AEI, “Opportunity, Responsibility and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream”

Center for Economic Opportunity, "The CEO Poverty Measure, 2005 – 2014," Mayor's office publication, 2016

Chalabi, Mona, “Statisticians fear Trump White House will manipulate figures to fit narrative,” *The Guardian*, Jan 30, 2017.

Citro, C. F., and R. T. Michael (eds.). 1995. *Measuring Poverty: A New Approach*. Washington, D.C.: National Academy Press.

Council of Economic Advisors, *Economic Report of the President*, GPO, 2014

Fox, Liana, Christopher Wimer, Irv Garfinkel, Neeraj Kaushal, and Jane Waldfogel. (2015). “Waging War on Poverty: Historical Trends in Poverty Using the Supplemental Poverty Measure.” *Journal of Policy Analysis and Management* 34(3): 567-592.

Fox, Liana, Christopher Wimer, Irv Garfinkel, Neeraj Kaushal, JaeHyun Nam, and Jane Waldfogel (2015). “Trends in Deep Poverty from 1968 to 2011: The Influence of Family Structure, Employment Patterns, and the Safety Net.” *The Russell Sage Foundation Journal of the Social Sciences* 1: 14-34.

Garfinkel, Irv, David Harris, Jane Waldfogel, and Christopher Wimer (2016). “Doing More for Our Children: Modeling a Universal Child Allowance or More Generous Child Tax Credit.” New York, NY: The Century Foundation.

Garner, Thesia (2010). "Supplemental Poverty Measure Thresholds: Laying the Foundation." Washington, DC: Bureau of Labor Statistics.

Groves, R. and Harris-Kojetin, B. (eds), "Innovations in Federal Statistics: Combining Data Sources While Protecting Privacy," National Academy Press, prepublication, January 2017.

Haveman, R., Blank, R., Moffitt, R., Smeeding, T., Wallace, G., "The War on Poverty: Measurement, Trends, and Policy," *Journal of Policy Analysis and Management* 34:3, Summer 2015.

Hokayem, Charles, Christopher Bollinger, and James P. Ziliak. 2015. "The Role of CPS Nonresponse in the Measurement of Poverty," *Journal of the American Statistical Association* 110(511): 935-945.

Interagency Technical Working Group. 2010. "Observations from the Interagency Technical Working Group on Developing a Supplemental Poverty Measure," March 2010. https://www.census.gov/hhes/povmeas/methodology/supplemental/research/SPM_TWGObservations.pdf

Meyer, B. and Mittag, N., "Using Linked Survey and Administrative Data to Better Measure Income: Implications for Poverty, Program Effectiveness and Holes in the Safety Net," NBER Working Paper No. 21676, October 2015

Meyer, B. and Sullivan, J. "Identifying the Disadvantaged: Official Poverty, Consumption Poverty, and the New Supplemental Poverty Measure," *Journal of Economic Perspectives*, Summer 2012, 111-136

Meyer, B., Mok, W., and Sullivan, J. "Household Surveys in Crisis," *Journal of Economic Perspectives*, Fall 2015, 29(4), pp. 199-226.

Nolan, L., J. Waldfogel, and C. Wimer. "Long-term Trends in Rural and Urban Poverty: New Insights Using a Historical Supplemental Poverty Measure." *The ANNALS*

Nolan, Laura, Irwin Garfinkel, Neeraj Kaushal, JaeHyun Nam, Jane Waldfogel, and Christopher Wimer (in press). "Trends in Child Poverty by Race/Ethnicity: New Evidence Using a Historical Supplemental Poverty Measure." *Journal of Applied Research on Children*.

Nolan, Laura, Irwin Garfinkel, Neeraj Kaushal, JaeHyun Nam, Jane Waldfogel, and Christopher Wimer (2016). "A New Method for Measuring Historical Poverty Trends: Incorporating Geographic Differences in the Cost of Living Using the Supplemental Poverty Measure." *Journal of Economic and Social Measurement* 1: 1-28.

Nolan, Laura, Jessica Pac, Christopher Wimer, Irwin Garfinkel, Neeraj Kaushal, JaeHyun Nam, and Jane Waldfogel (2016). *Poverty in the 50 States: Long Term Trends and the Role of Social Policies*.

Pac, Jessica, Jane Waldfogel, and Christopher Wimer, "Poverty among Foster Children: Estimates using the Supplemental Poverty Measure." (*Social Service Review*).

Renwick, T. and Fox, L. The Supplemental Poverty Measure: 2015, U.S. Census Bureau, Report Number: P60-258, 2016

Sherman, A. and Trisi, D. "Safety Net More Effective Against Poverty Than Previously Thought Correcting for Underreporting of Benefits Reveals Stronger Reductions in Poverty and Deep Poverty in All States, CBPP brief, May 6, 2015

Short, Kathleen (2011). "The Research Supplemental Poverty Measure: 2010." Current Population Reports P60-241.

Smeeding, Timothy M., and K. Thornton. 2016. "Wisconsin Poverty Report: Poverty Levels Flat on Average More Diverse within State in 2014 " Eight Annual Report of the Wisconsin Poverty Project. Institute for Research on Poverty, University of Wisconsin–Madison: (June)

Wight, V., Kaushal, N., J. Waldfogel. (2014). "Understanding the Link between Poverty and Food Insecurity among Children: Does the Definition of Poverty Matter?" *Journal of Children and Poverty*.

Wimer, Christopher, Liana Fox, Irwin Garfinkel, Neeraj Kaushal, and Jane Waldfogel (2016). "Progress on Poverty? New Estimates of Historical Trends Using an Anchored Supplemental Poverty Measure." *Demography* 53(4):1207-18.

Winship, S. "Testimony before the Committee on the Budget," U.S. House of Representatives, Washington, D.C. January 28, 2014.