

# Trends in Child Poverty Using an Improved Measure of Poverty



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## ABSTRACT

The official measure of poverty has been used to assess trends in children's poverty rates for many decades. But because of flaws in official poverty statistics, these basic trends have the potential to be misleading. We use an augmented Current Population Survey data set that calculates an improved measure of poverty to reexamine child poverty rates between 1967 and 2012. This measure, the Anchored Supplemental Poverty Measure, is based partially on the US Census Bureau and Bureau of Labor Statistics' new Supplemental Poverty Measure. We focus on 3 age groups of children, those aged 0 to 5, 6 to 11, and 12 to 17 years. Young children have the highest poverty rates, both historically and today. However, among all age groups, long-

term poverty trends have been more favorable than official statistics would suggest. This is entirely due to the effect of counting resources from government policies and programs, which have reduced poverty rates substantially for children of all ages. However, despite this progress, considerable disparities in the risk of poverty continue to exist by education level and family structure.

**KEYWORDS:** children; poverty; social policy; Supplemental Poverty Measure; trends

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CHILD POVERTY REMAINS a persistent problem in many advanced democracies, not least among them the United States.\* The official poverty rate for children under age 18 years in the United States in 2013 was 19.9%,<sup>1</sup> meaning almost 1 in 5 children was poor (or under 100% of the federal poverty limit). One way to gauge progress in the fight against child poverty is to compare children's poverty rates over time. The first year for which we have data on official poverty rates for children under the age of 18 is 1959, when the child poverty rate stood at 27.3%.<sup>1</sup> Set against that standard, we have made considerable progress in reducing child poverty over the past 50+ years. However, much of this progress was seen in the 1960s, when child poverty plummeted from 27.3% in 1959 to 14.0% in 1969.<sup>1</sup> Indeed, that 14.0% marks the lowest child poverty rate on record, at least according to the official measure. Since then, official rates have drifted

upward for children, ebbing and flowing with wider trends in the economy.

However, the official poverty rate, while useful, is based on a flawed measure for assessing trends in poverty among children.<sup>2–4</sup> As outlined in Kathleen Short's<sup>5</sup> article in this issue, there are numerous problems with using the official poverty rate as the barometer of change in children's level of economic need.<sup>5</sup> First, the official poverty measure uses an outdated conception of need, one based on the cost of food and its place in family budgets in the 1950s and 1960s.<sup>6</sup> Second, it fails to account for the rapid growth in cohabitation and concomitant decline in marriage, treating cohabiting adults as independent units when it comes to sharing resources. Third, and in our view most important, it fails to count many of the very resources we direct toward families with children. These include tax benefits like the Earned Income Tax Credit and Child Tax Credit, which can provide low-income families with thousands of extra dollars every year, as well as near-cash benefits like those provided through the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program) or housing assistance programs. As both tax and in-kind benefits have taken on more importance in recent years as key components of government's response to the problem of poverty, the fact that our official poverty measure ignores these benefits has become increasingly problematic.

\*Most advanced industrialized countries use a relative poverty measure, but the United States uses an absolute one (and has for the past 50 years). The SPM thresholds are quasi-relative (adjusted over time for changes in spending on a basic bundle of goods) and thus represent a compromise between the 2 positions. Here we use a version of the SPM that uses an absolute threshold set in today's living standards. This measure is used to better illustrate the role of social policies in reducing poverty against a fixed living standard over time. Although most European countries use a purely relative measure, there is still considerable debate about the most appropriate way to define child poverty needs.

Here we present alternative estimates of child poverty using what we consider to be an improved measure of poverty. Our measure is modeled on the US Census Bureau and Bureau of Labor Statistics' (BLS) recently released Supplemental Poverty Measure (SPM), which is in itself the product of decades of research and commentary on the appropriate way to measure poverty.<sup>3,7,8</sup> Our alternative estimates show that, in contrast to what would be suggested by the official measure, we have made substantial progress in reducing child poverty over the past 50 years. Moreover, much of this progress has come as a result of resources from government policies and programs directed toward low-income families with children. Absent these policies and programs, child poverty would have risen. Nevertheless, a substantial share of US children remains poor, even under the improved measure. Moreover, sizable disparities continue to exist in child poverty rates by sociodemographic characteristics, which we illustrate by presenting long-term poverty trends by parental education and family structure.<sup>†</sup>

In the next section, we discuss the data and methods used to construct our alternative poverty estimates. We then present results by children's age (0 to 5, 6 to 11, and 12 to 17 years), highlighting the role of policies and programs in reducing estimated poverty rates as well as highlighting disparities by parental education and family structure. We then briefly conclude.

## DATA AND METHODS

To assess long-term trends in children's poverty rates, we harnessed augmented data from the Census Bureau's Current Population Survey Annual Social and Economic Supplement (CPS ASEC). The CPS ASEC is a nationally representative household survey that currently contains information on income and other characteristics of over 200,000 individuals per year. It is the basis for official poverty statistics as well as the Census' and BLS's recently developed SPM measure.

All of the information required to produce the SPM exists only for 2009 forward, so we augment the data as follows in order to create an SPM-like measure that can capture trends in a historically consistent manner. We harnessed data from 1968 to 2013, which covers the years 1967 to 2012. Because we look at finer-grained age ranges here (eg, children aged 0 to 5 years), we present poverty rates using 3-year moving averages, which therefore cover the time period 1968 to 2011. Full details of our methodological procedures can be found in Fox et al.<sup>4</sup>

<sup>†</sup>We do not document disparities by race, ethnicity, immigration, region, or urbanicity, though we know that important disparities exist by these factors in addition to family structure and education. Our historical SPM data are not adjusted for geographic differences in the cost of living, and we suspect this would be critical for understanding long-term trends in poverty rates and disparities by geography as well as by race/ethnicity and immigration. For these reasons, we focus here on disparities by education and family structure, 2 common markers of families' socioeconomic status.

## POVERTY THRESHOLDS

Like the BLS's SPM thresholds,<sup>9</sup> we construct 2012 poverty thresholds using 5 years of data from the Consumer Expenditure Survey, which is a nationally representative survey of consumer expenditures.<sup>10</sup> Poverty thresholds are based on all consumer units with exactly 2 children, and their expenditures on a core basket of goods defined as necessary to survive in contemporary society. This basket includes food, clothing, shelter, and utilities, plus a multiplier (1.2) to account for other necessities like toiletries and transportation.

Unlike Census and BLS procedures,<sup>11</sup> we use here what we refer to as an anchored SPM threshold. The Census/BLS SPM utilizes a quasi-relative threshold, which fluctuates over time with underlying expenditures on the core basket of goods outlined above.<sup>12</sup> Such thresholds are useful for assessing resources against temporal changes in the cost of living. The disadvantage of relative thresholds is that they make it more difficult to discern whether changes in poverty over time are the result of changes in income or resources or changes in underlying spending patterns. For this reason, we use a threshold that is fixed, or anchored, in contemporary living standards. Our thresholds are anchored in 2012 consumer expenditures and traced back in time using the CPI-U-RS (Consumer Price Index Research Series), the Census' preferred price index, for assessing changes in income and earnings.<sup>‡</sup> Our research thus addresses the question of how incomes have changed in reference to what it takes in contemporary America to get by. All thresholds are adjusted for the size and composition of families using the so-called 3-parameter equivalence scale<sup>13</sup> used by the Census and BLS in constructing SPM poverty thresholds. This scale accounts for the differing needs of adults and children and the economies of scale of living in a larger household when considering how much a family needs to be classified as nonpoor.

## POVERTY UNITS

Official poverty statistics rely on the family as the unit of analysis for aggregating resources and defining needs. The family is defined as anyone related by blood, marriage, or adoption. This definition, while more or less appropriate in the 1960s when it was implemented, neglects the profound changes in marriage and cohabitation that have occurred since then.<sup>14–16</sup> With many children now being raised by cohabiting parents or by a parent who is cohabiting with a new partner, counting cohabiters as residing in separate units may severely underestimate the resources available to children in contemporary society. We thus follow the Census and BLS in creating a poverty unit that expands

<sup>‡</sup>The anchored supplemental poverty rates are 17.0%, 17.8%, 18.2%, and 18.7% for 2009, 2010, 2011, and 2012, respectively, while our estimates using a quasi-relative poverty threshold are 17.4%, 18.5%, 18.9%, and 18.7% for the same years. It is worth noting that while the anchored SPM differs from the Census' SPM in the annual adjustment of the threshold (adjusted for inflation rather than relative to a bundle of goods) and nongeoadjustment of the threshold, the 2 measures are otherwise quite similar. These poverty rates are not estimated with 3-year moving averages.

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