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The History of the Poverty Measure and What it Means for Ohio

By Erica Mulryan, Housing and Services Coordinator

The U.S. Census Bureau recently released its 2005 poverty rates, and two Ohio cities, Cleveland and Cincinnati, were identified as among the most impoverished in the nation. But where does this poverty measure come from? Should we really rely on it for an accurate picture of poverty in Ohio?

The poverty measure currently utilized by the Census Bureau was initially developed by economist Mollie Orshansky and implemented by the Social Security Administration (SSA) when it first began publishing poverty statistics in the early 1960s. The poverty threshold was based on the U.S. Department of Agriculture's (USDA) estimated cost of the "Economy Food Plan" which was then multiplied by three to account for other necessary expenses such as shelter and clothing. This multiplier was based on the USDA's research that indicated that US families spent approximately one third of their income on food. The "Economy Food Plan" was the most inexpensive food plan developed by the USDA, and was intended for "temporary or emergency use when funds are low". The food plan did not allow for any meals eaten in restaurants and was acknowledged as providing a nutritious but monotonous diet. While this measure continues to be updated each year for inflation, it has otherwise not been updated for over forty years.

Over the years, many have criticized the Census Bureau's poverty measure as being outdated and unable to account for the numerous factors that impact families' economic well being. For example, the existing version of the poverty measure fails to take into account any differences in the cost of living for various geographic areas. In addition, while the procedure for determining the poverty threshold uses after-tax income, the Census Bureau's Current Population Survey (CPS) applies the threshold to income data it determines before-tax. Orshansky indicated that this discrepancy in calculating income and the poverty threshold would likely result in a "conservative underestimate" of poverty. Further critiques of the current poverty measure focus on its lack of consideration of various in-kind benefits. In particular, government assistance in the form of in-kind benefits such as food stamps and Medicare are not included, as well as employer provided health care and housing subsidies.

Given these critiques of the Census Bureau's poverty measure, it seems logical to wonder about the impact a potentially outdated measurement tool has on the disturbing poverty estimates for two of Ohio's largest cities, Cleveland and Cincinnati, whose poverty rates

Sources: Citro, C.F. & Michael, R.T. (1995). *Measuring poverty: A new approach*. Washington, DC: National Academy Press.
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Fisher, G.M. (1997, Winter). The development and history of the U.S. poverty thresholds: A brief overview. *GSS/SSS Newsletter*, 6-7.

were estimated at 32.4% and 25%, respectively. While there is significant variance among suggestions for how the current poverty measure could best be revised, a focus on updating the measure itself should not obscure the continuing need for investments in Ohio's residents, particularly in regards to health care, higher education, quality jobs, and safe and affordable housing.

Sources: Citro, C.F. & Michael, R.T. (1995). *Measuring poverty: A new approach*. Washington, DC: National Academy Press.
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