Ohio | Department of Development

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Ohio Poverty Report

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THE OHIO POVERTY REPORT

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DEFINING AND MEASURING POVERTY

The definition of poverty originated in the Social Security Administration in 1964. It has been modified by Federal inter-agency committees since then, with the Office of Management and the Budget now prescribing it as the standard to be used by Federal agencies for statistical purposes. The U.S. Bureau of the Census notes:

> "At the core of this definition was the 1961 economy food plan, the least costly of four nutritionally adequate food plans designed by the Department of Agriculture. It was determined from the Agriculture Department's 1955 survey of food consumption that families of three or more persons spend approximately one-third of their income on food; hence, the poverty level for these families [i.e., the minimum income required to avoid malnutrition] was set at three times the cost of the economy food plan. For smaller families and persons living alone, the cost of the economy food plan was multiplied by factors that were slightly higher to compensate for the relatively larger fixed expenses for these smaller households" (1992a: B-27).[11]

A family consists of a householder and one or more other persons related by birth, marriage, or adoption living in the same housing unit.[12] Families (and all of the persons in them) with less than the minimum income required for the economy food plan are below the poverty threshold and are poor. Families (and all of the persons in them) at or above the minimum are not poor. The amounts of money needed to stay out of poverty vary by size and, for families of the same size, the number of related children under 18 years old. The threshold table for the 2000 Census is reproduced below.

The Minimum Family Income Needed in 1999 to Stay Out of Poverty, by Family Size and Number of Related Children

	Number of Related Children Under 18								
Size of Family Unit	0	1	2	3	4	5	6	7	8 or more
1 (an unrelated individual)									
Under 65	$8,667								
65 or older	$7,990								
2 Householder: Under 65	$11,156	$11,483							
65 or older	$10,070	$11,440							
3	$13,032	$13,410	$13,423						
4	$17,184	$17,465	$16,895	$16,954					
5	$20,723	$21,024	$20,380	$19,882	$19,578				
6	$23,835	$23,930	$23,436	$22,964	$22,261	$21,845			
7	$27,425	$27,596	$27,006	$26,595	$25,828	$24,934	$23,953		
8	$30,673	$30,944	$30,387	$29,899	$29,206	$28,327	$27,412	$27,180	
9 or more	$36,897	$37,076	$36,583	$36,169	$35,489	$34,554	$33,708	$33,499	$32,208

Source: U.S. Bureau of the Census (2002b: B-36).

Altogether, the Bureau uses 48 different family income levels to determine poverty status. Larger families and families with more adults require more money. Between the two criteria, size is far more important than the number of adults in determining minimum income levels. The poverty thresholds are updated each year with the Consumer Price Index (CPI-U) data.

It is important to note how the Census Bureau calculates family income because it is at the core of determining poverty status. The Bureau collects information from every person in the family age 15 years and up regarding income sources. Sources include: wages, salaries, sales commissions, tips, piece-rate payments, bonuses, self-employment (farm and non-farm, net of expenses), interest, dividends, rents, royalties, trust fund payments, social security, retirement pensions or survivor benefits, disability benefits, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net gambling winnings, types of public assistance (including supplemental security), and regular, periodic payment from insurance policies, IRAs and KEOGH plans or a person outside of the family. The family's income is the sum of all money received from the above-mentioned sources by any family member – all before deductions for taxes, payments into retirement funds, union dues, bond purchases, Medicare, etc. (U.S. Bureau of the Census, 1992a).

Not included as income is money received from one-time or irregular transfers. Examples include gifts, inheritances, insurance payments, tax refunds, loans, bank withdrawals, exchanges of money between relatives living in the same household, and capital gains or property sales (unless that was the recipient's business). Similarly, "income in kind," – food stamps, public housing subsidies, medical care, or employer contributions for persons – is excluded from income calculations (U.S. Bureau of the Census, 1992a, 2002b).[13]

The preceding discussion places poverty in a family context, but not everyone lives in a family. Individuals living by themselves are treated as families of one. Unrelated individuals living in the same housing unit (e.g., roommates) are treated as separate families, with poverty determinations done for each such person. The Bureau assumes that unrelated individuals do not share their incomes with one another while family members do (Welniak, n.d.).

Therefore, poverty status is determined for all persons with a few exceptions: those who are institutionalized, in military group quarters or college dormitories, and unrelated individuals under 15 years old. Institutionalized persons and those in military group quarters or college dormitories are excluded because they receive adequate nutrition even though they may have little or no income. Unrelated individuals under 15 years old usually are foster children, for whom some extra-familial financial support may be provided.

EXPERIMENTAL MEASURES OF POVERTY

The Census Bureau's definition of poverty has been criticized on a variety of points. In response, the Bureau has done extensive research with experimental measures of poverty addressing the issues raised. Recent experimental measures all do two basic things: they alter the definition of income, and they change the benchmark for need. Family income is still the sum of all family members living together. However, the experimental measures have used after-tax income, include non-cash benefits such as food stamps and housing subsidies, and deducted work-related expenses (e.g., transportation and child care).

The benchmark was changed by starting with expenditures for food, clothing, shelter, and utilities for a family of two adults and two children. Also included are small amounts for additional expenses. These expenditures (the sum of which is the poverty threshold) are adjusted for larger and smaller families with three principles: children generally consume less than adults, doubling the family size does not mean that every expense doubles, and the first child in a single-adult family has a greater impact on expenses than the first child in a two-adult family.

Three variations are generated after these two changes. Medical out-of-pocket expenses may be subtracted from family income, built into the benchmark, or a selective combination of two. Three more are added by adjusting the initial three for geographic variations in housing costs (U.S. Bureau of the Census, 2002c).

The overall effect of these changes has been to increase the estimated percentage of poor people in the nation by as much as 1.5 points, depending on which variation is used for which year. No variation produced a general reduction in the poverty rate. In particular, the experimental definitions produced higher poverty rates among adults, Hispanics, non-Hispanic whites, and persons in either married-couple or male-headed (no wife present) families. Slightly lower poverty rates were noted for children, blacks, and people in families with a female head (no husband present).

The reasons for these changes are reflected in the re-definitions of poverty thresholds. Rates varied by type of family "because the official measure does not add non-cash benefits or deduct taxes and work-related expenses from income" (U.S. Bureau of the Census, 2002c: 17). Rates were lower for female-headed families because such families received more income-in-kind benefits, paid fewer taxes and had fewer work-related expenses than others. Similarly, including medical expenses – regardless of how – altered poverty rates by age. The most pronounced increases in poverty rates occurred among adults age 65 years and older. The slightly lower rates among children are due in part to their generally better health when compared with adults, even adults under 65.

The experimental poverty rates for Hispanics were higher than the official measure in part because they tend to live in regions of the country with greater housing costs. Other than that, adjustments for housing costs had little if any effect on the overall poverty rate (U.S. Bureau of the Census, 2002c). More details may be found in Census publications and at the Bureau's web site: http://www.census.gov.[14]

A brief discussion of the low- and moderate-income statistics used by the U.S. Dept. of Housing and Urban Development for its programs is also appropriate. They may resemble poverty statistics, but should not be interpreted as alternative poverty measures. The poverty thresholds determined by the Bureau concern minimum incomes necessary for adequate nutrition, given family size and composition. The low-moderate income thresholds determined by Housing and Urban Development are essentially modifications of local area median incomes for families of a given size. The local area is either a metropolitan statistical area or a non-metropolitan statistical area county, and family sizes range from one through eight. Low-moderate income thresholds start with the median-family-income-by-family-size-and-local-area from the decennial census. New estimates of medians are developed for the current fiscal year using mathematical formulas on data from County Business Patterns and the Current Population Survey. (Both are Census Bureau data sets). Housing and Urban Development modifies the new estimates by multiplying them by 30, 50 and 80 percent – the first two are known as the "very low-income" and "low-income" limits. Consequently, any similarity between low-moderate income limits and poverty thresholds is coincidental; in other instances, the low-moderate income limits are far above or below the corresponding poverty thresholds.

FAMILY INCOME INEQUALITY AND POVERTY RATES

Gini coefficients may be used to measure the inequality of an income distribution. The closer the coefficient is to 1, the greater the inequality of the distribution. Conversely, a coefficient of 0 indicates an equal distribution (Greenwald, 1973). In this analysis, a value of 1 would mean that only one family would have all the income, while a 0 value would mean that every family makes the same income.

Both Gini coefficients and family poverty rates for Ohio rose from .335 and 7.6 percent, respectively, in 1969 to .377 and 9.5 percent in 1989. Figures for the U.S. were slightly greater: .368 and 10.7 percent in 1969 and .396 and 10 percent in 1989. Figures for 1999 generally were slightly lower (Office of Strategic Research, 2003). A subsequent analysis shows that both the Gini coefficients and family poverty rates for Ohio and the U.S. rose from 1999 to 2009: .400 and 7.2 percent vs. .416 and 11.0 percent in Ohio, and .427 and 8.3 percent vs. .439 and 10.5 percent across the nation.

The slightly lower Gini coefficients for Ohio indicate a slightly less unequal distribution here than for the nation as a whole. The net increase in family poverty rates and slowly rising Gini coefficients, plus the generally slightly lower Gini values and poverty rates in Ohio, suggest the possibility of a direct association between family poverty rates and the inequality of family income. However, exploring and testing this idea is beyond the scope of this report.