Where are the Poor? Do Prices Matter? Supplemental Poverty Measure: Geographic Adjustments

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**Motivation – Research Questions**

The official poverty measure uses the same thresholds for all families in the United States, regardless of location. The Supplemental Poverty Measure (SPM) adjusts the housing portion of the thresholds for differences in housing costs, using median rents for two-bedroom units. Compared to official poverty estimates, the SPM poverty estimates:

- **reduce the share of the poor living in the West and Northeast relative to those living in the South and Midwest,**

- **decrease the share of the poor living outside metropolitan statistical areas and increase the share living inside metropolitan statistical areas.**

**Questions?**

What would happen if we seemed to adjust other portions of the thresholds? Specifically, what if we adjust the food portion of the thresholds as well as the housing portion?

**Comparing 2010 State Poverty Rates: Official, SPM and Food/Rent Combined Index**

- **2010 Official Poverty: No Geographic Adjustments**
- **2010 SPM Poverty: Using Rent Index**
- **2010 SPM Poverty: Using Food and Rent Index**

**Changes in Poverty Rates by State**

- **Distribution of the Poor by Region and Place of Residence: Official, SPM and Food/Rent Index**
- **Effect of the SPM and Food/Rent Geographic Adjustments on Poverty Rates by State**

**Conclusions**

The overall SPM poverty rate is higher than the official poverty rate, but the second poverty rate when poverty thresholds are adjusted for both housing and food costs. Moving from the SPM thresholds to the food/rent adjusted thresholds results in small but statistically significant changes in the regional distribution of the poverty population. Namely:

- Slightly larger share of the poverty population lived in the Northeast and the South, while the shares living in the South and Midwest were reduced.
- Slightly larger share of the food portion of the poverty population lived in the suburbs while the share living outside metropolitan statistical areas was reduced.

The differences in state poverty rates when moving from the SPM to a poverty estimate using both food and rent to adjust the thresholds were statistically significant in 28 states. Poverty rates went up in 14 states and down in 14 states. In 26 of these states, the change in the poverty rate moving from the official to the SPM was also statistically significant.

- In 16 states, the SPM poverty estimate was higher than the official estimate and the food/rent poverty estimate was even higher (California, Connecticut, District of Columbia, Maryland, Massachusetts, New Hampshire, New Jersey, New York and Virginia).
- In 7 states the SPM was lower than the official estimate and the food/rent poverty was even lower (Alabama, Illinois, Iowa, Kentucky, Louisiana, Missouri, and Nevada).
- In the remaining 11 states: the SPM was lower than the official, but the food/rent poverty estimate was higher than the official and the SPM (Arizona, Arkansas, Colorado, Connecticut, Idaho, Illinois, Indiana, Kansas, Michigan, New Mexico, New York and South Carolina).

Adjusting poverty thresholds for differences in food prices in addition to housing costs would not dramatically change poverty estimates.

**Bibliography**


The SPM was developed by the Interagency Technical Working Group: The U.S. Department of Agriculture, the Bureau of Labor Statistics, the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, the U.S. Department of Housing and Urban Development, the Social Security Administration, and the U.S. Department of Health and Human Services. The SPM was released by the U.S. Census Bureau on October 20, 2010. For more information on the SPM, please visit the U.S. Census Bureau website: www.census.gov/hhes/poverty/supplemental/spm.html.

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